

# FAR EASTERN ECONOMIC REVIEW

VOL. X

Hongkong, April 19, 1951

No. 16

CONTENTS :-

	Page		Page
The Main needs of East Asia: Technicians	473	Shanghai Exports in 1950 .....	486
The Colombo Plan for Economic development of South Asia .....	475	Outline of Philippine Economy .....	486
The Port of Colombo .....	477	Economic Report on Indonesia .....	491
The Port of Colombo and Its History .....	478	Japanese Shipping Problems .....	501
China's New Foreign Trade Policy .....	481	Political Report from Tokyo .....	501
		Hongkong's Principal Trading Partners	502
		Sept. 1950 .....	502
		Hongkong Commodity Markets .....	510
		Financial Reports .....	511
		Hongkong Share Market .....	512

## THE MAIN NEEDS OF EAST ASIA: TECHNICIANS

By Dr. E. Stuart Kirby.

Conditions in the world have drastically changed over the last year. We are now entering the full swing of the effects of Rearmament by the Western powers. International price relationships are seriously upset, and it is not yet possible to estimate, with any sort of accuracy, what kind of price-footing will apply in the nearer or further future. This has caused much confusion in the field of national and international planning. A year ago, local and general plans for Economic Development in Asia were, after the first period of post-war adjustment, just beginning to take practical and quantitative shape. Now the price relations have radically changed, and the carefully-considered assessments of priorities can no longer hold; the scale of availabilities and feasibilities has already altered.

Plans — national or international — which are expressed in budgetary form, in terms of the amounts of money set aside for the various purposes listed, therefore no longer "make sense"; or at any rate, not the same sense they made a year ago. The total sums no longer mean the same, and the relative proportions between the various items have significantly shifted, in real terms. The world economy is in for a new bout of inflationary pressures. If it was a question of "straight" inflation, pressing fairly equally at all points, this would not be so bad; but obviously it is going to be mixed and distorted.

In this situation it is useful, as one of the means of keeping some perspective on the problems of Asian Development, to attempt a reassessment of all the plans in terms of man-power budgets, i.e. personnel requirements. Unskilled labour is of course plentiful. The question is that of technical, administrative, skilled and semi-skilled labour. The United Nations (in and through ECAFE, its Economic Commission for Asia and the Far East) has done a great deal of work in that field. The specific U. N. Agency concerned, with overall responsibility for information, coordination and example in this respect is of course

the International Labour Office (I.L.O.); but practically all the other Specialised Agencies of the U.N. are closely involved—the Food and Agriculture Organisation (FAO), the World Health Organisation (WHO), ECAFE's Bureau of Flood Control, etc.

The position is that the needs are not known, with any exactitude. It is not yet possible to specify very accurately the higher-grade labour force required in the Region, for the fulfilment of basic plans already on the books, either by numbers or by kinds. All countries give some indications, alongside their estimates for expenses and procurements; but few include, as an integral part of the plan itself, a specific "personnel budget" of the required kind. Some such "manpower" statement is an essential; plans are incomplete without it, and should include also a statement of the training and educational facilities, (a) actual, or already available and (b) potential, or required to meet future needs.

In one field especially, it is extremely difficult to calculate in this way, in terms either of quality or quantity—namely, in the matter of agriculture. Agriculture proper is not included in the scope of the following notes—not is the important field of transport and communications. Only the field of "industry" (manufactures, power, public utilities) is mainly in consideration here; though such matters as the processing of agricultural products are included. It is not possible to deal here with anything more than the field of "industrialisation" proper. In that field alone, the shortages and difficulties are very great. "Planning" efforts are largely concentrated in that direction, however. This may be a grave error, since the agrarian crisis is probably a much more immediate and dangerous one in East Asia—which before the war was a food-surplus area and is now a food-deficit area, with a more rapidly growing population. The discouraging fact must constantly be faced that all the plans now on the books add up to

little more than the amount of equipment and production necessary to keep a larger population alive at about the present standards of living. It takes a good deal of capital and technical improvement to provide for a compound growth of population of even 1% per annum: it is unlikely that more will be forthcoming, over and above this, on a scale likely to result in a striking improvement in the average level of wealth or income, per capita.

In the countries of S. and S.E. Asia, the position has recently been that at least the maintenance of the present general level seems possible, if world peace and other conditions can be maintained; but it has been clear that this was no easy task and that new difficulties were constantly likely to arise. In the first years after the war, a major difficulty was the scarcity of machinery and equipment. In the last two years, the position had become relatively easier in that respect; though now it threatens again to become as difficult as ever. As soon as the supply position improved, however, it became increasingly evident that shortage of technical skill was a limitation no less severe; the view has increasingly been taken that lack of skilled workers and organisers might in the long run be the main practical limitation, perhaps even more important than the lack of physical capital. Publicity about "Technical Aid" may have overstressed this aspect, and tended in effect to divert attention from the fact that a tremendous effort to raise capital must at the same time be made. It is useful, however, to realise that if a community has good technicians, mechanics, organisers and administrators, and training facilities to ensure the further supply of these, capital will more readily be forthcoming from both internal and external sources, without the need for any special and artificial arrangements. It is sometimes assumed that good practical organisation and a sufficiency of trained and capable personnel are the consequence of industrialisation, and must follow after it. Under the conditions of the modern age, however, there is much to be said for reversing this order; if Prophets of a new technical

ability arose in new countries, the Mountains of capital and equipment might go to them.

\* \* \*

At any rate, technical training can and should be combined with the earlier stages of industrial construction, and not wait till a later stage of full equipment. This is increasingly understood, and some countries which had budgeted mainly in terms of the quantitative provision of equipment are increasingly ready to consider a qualitative calculation in terms of skilled manpower; in some plans, investment in training facilities is beginning to have higher priority than investment in some kinds of productive plant.

The U.N. organisations distinguish roughly between a higher and a lower grade of skilled worker. This last term is taken in its widest sense, to include not only artisans and engineers, but also scientists, administrators, managers, consultants, statisticians, organisers, etc. in offices and laboratories as well as workshops. The higher category, "Group A", covers "scientific, technical, professional and higher administrative personnel", and the other, "Group B", covers "supervisory, skilled and semi-skilled workers."

The only country in the ECAFE Region which has made any thorough study of its resources of skilled personnel is India. The Indian Government's Committee on Scientific Manpower reported in June 1949. It covered all the classes of Group A above (technicians and administrators) and, in addition, the top layer only of Group B (supervisory staff). This kind of study only provides, of course, a rough survey of general indications. It is hardly to be compared with the situation in, say, Britain. In Britain and other western countries "trade tests" are well established in all industries. Technical standards are comprehensive and uniform; the mere statement of a man's experience and training is usually sufficient to grade him with a remarkable degree of precision. Standards of qualification, and specialist status of any kind, are accurately defined and jealously enforced by trade unions, professional associations, and official rules; and also by personal pride, in many cases. Over and above all this, there are the comprehensive National Registration and Insurance schemes; from such records as these, planners or prospective employers in Britain can have exact particulars of what staffs are available and where they can be sought. In comparison with such a situation as this, the survey in India appears as only a preliminary step, though it is a very important and useful one. It must also be recognised that a single "once-over" survey of this type is of relatively limited significance; the procedure will gain enormously in value, as and when a regular survey is instituted, which will enable changes from time to time to be noted, and pro-

gress to be evaluated. Ideally there should be, besides the facilities mentioned above, a fairly frequent Census of Production; this is another institution which is well established in Britain.

Meanwhile, none of the other eastern countries has taken the same step as India. The information available therefore varies greatly in exactness, as between countries and industries. Nevertheless it shows quite clearly the major shortages, at least in respect of "Group A".

India has been faced ever since the war by the fact of a considerable decline in industrial production. This was at first mainly attributed to "running down" of plant during the war years, and lack of replacements. But after the establishment of a Central Advisory Council on Industries in 1943 which initiated Development Committees for separate industries, another reason has been stressed: the shortage of trained personnel, especially managers. In 1948-50, shortages were officially noted of: statisticians, hydro-electric engineers, housing experts, and various industrial specialists (in cellulose, mining, hides and skins, sawmills and plywood and food-processing). Late in 1950, the drafting of the Six Year Development Plan was completed.

It shows, in the first place, that the list of shortages previously announced (as stated above) was quite incomplete. The revised list was much longer; items added, and even given priority over the foregoing, were geological surveying, chemicals of all kinds (films, fertilisers, pharmaceuticals, plastics), and metallurgy. In the second place, the new statement shows that while the main shortages are in respect of engineering processes, experience is increasingly proving that the administrative and organisational processes are of equal importance; the original tendency to consider mainly production is also modified, to admit both teaching and research as equally important. Thirdly, the calculations show very vividly the extent to which even India—a country not so badly endowed as some, in the matter of educational institutions and precedents—must rely on the enlistment of foreign technicians and the utilisation of facilities abroad. In the six years of the plan, just over 900 foreign engineers and technologists are to be hired for work on the "directly productive" side, and nearly 400 Indian nationals trained in institutions abroad, in the same field. On the side of "scientific and educational research", a similar number of foreigners are to be enlisted—just over 850—though a comparatively small number of Indians (17 only) are to study abroad in this field.

In Pakistan, the personnel problem is particularly acute. The partition of the Indian sub-continent involved many unequal and inconvenient divisions of resources and equipment, but in no respect perhaps were they as serious for Pakistan as in this one. Many persons at "higher levels" in commerce

and banking were non-Moslems, who left the country. Even in some key industrial processes, such as cotton ginning and coal mining, the same happened. On the other hand, there was incidentally a surplus of railwaymen, as Moslems had staffed the railways of British India to an extent out of proportion with their numbers in the whole population. But in most occupations, there were severe shortages of skilled workers. The new State has embarked with energy, and a true popular enthusiasm, on economic tasks which involve not merely the filling of these gaps, but the creation of a number of important new industries. In 1950, the drafting of the Six Year Development Plan was completed (1951-56), emphasising the development of (i) transport and communications, (ii) electric power and coal, (iii) minerals, and (iv) basic and key industries (textiles, chemicals, fertilisers, etc.) This plan shows a clear realisation of manpower needs in general, and of the necessity of employing foreign experts in particular. It was recently announced that 136 foreign teachers were now required, under the Six Year Plan, for senior posts in technical institutes alone; similar persons, and administrators, are required for a large number of governmental posts.

In the Philippines, the Bell Report stressed that "the available technical and management skill will not be sufficient for extensive development of industries for some time." This report of the American Mission gave the highest priority to the question of training, and recognised the fact that foreign personnel, and the training of Filipinos abroad, are absolutely necessary if there is to be any hope of restoring the country's production facilities even to pre-war standards. It recommended the removal of the existing barriers to the employment of foreign personnel and resources to these ends. These conclusions have been substantially accepted by the Philippines Government, which has recently made the formal request for American technical assistance of these kinds.

In Indonesia, it is increasingly being realised as time goes on that an essentially similar position prevails. Two important investigations during 1950—the Griffin Mission (U.S. Point Four Program) and a United Nations Exploratory Mission—both pointed the same lessons and produced explicit lists of shortages. The Geological Service and Geological Museum at Bandoeng, internationally famous, have a staff of nine scientists, compared to 40 before the war; yet the full geological survey of the country, now planned, which is essential to any extensive development of minerals and power, would require the services of 100 experts for 25 years. In all the main industries, there are problems of staffing, similar in kind if not in degree.

In Ceylon, Burma, Thailand and Indochina—even in Nepal, the latest country to join ECAFE, which has now

reported on its Modernisation Plan, under which the development of power plants and key industries is projected—the same features are disclosed. South Korea, just before the Northern aggression last year, was planning the enlistment of 105 foreign experts and the despatch of 142 Koreans for training abroad.

In the British Colonies—to quote one Government statement which well expresses what is a thoroughly-established and official standpoint—"the major emphasis is on producing skilled artisans and in giving basic trade training, coupled with a general improvement in educational standards. More advanced training must initially be mainly provided at universities outside the Colonies ... University colleges and universities can then be provided in the Colonies themselves and this stage has in fact been reached, on a regional basis, in the Colonial Empire". There is a general shortage of engineers of all types in the British dependencies in the Far East. Hongkong and Singapore are the only places where there is not a shortage of other types of Group A personnel as well. In Malaya, Government reported last year that about a quarter of the senior posts in the "resources" and "utilities" departments, Public Works and Mines were unfilled because qualified staff could not be obtained. Personnel of this type, and especially perhaps those, qualified as geologists and surveyors, are required also in Borneo, where efforts are being made to provide housing and other facilities. Under "Group B", the British Malayan Petroleum Company of Brunei lists requirements of automotive fitters, diesel mechanics, carpenters, electricians and operators of heavy equipment such as bulldozers. The area is generally short of building workers, draughtsmen, etc.

Many countries give considerable weight to technical education, and to the promotion of cottage industries. In these fields also, foreign advice and participation is needed and asked. The above account has in fact treated only one part of a vast problem, growing daily in importance, and has dealt only sketchily with it. But it may suffice to show how great the opportunities are—on one essentially simple condition. Namely that there should be a spirit of full international cooperation. The political philosophy which insists on a rabid distrust of the only parts of the world which can provide the requirements of modern technique, is endangering the very livelihood of hundreds of millions of people in Asia. It is alarming to see China deliberately turning away from the constructive possibilities in Asia, and already involved in the profitless course of war on Russia's behalf; but to some extent reassuring to see other Governments in Asia taking an increasingly realistic view, and firmly intending to collaborate internationally for the profitable purposes of peace.

## THE COLOMBO PLAN FOR ECONOMIC DEVELOPMENT OF SOUTH EAST ASIA

Appreciating the importance of the great scheme to advance the material wellbeing of the peoples in South and South East Asia, this "Review" has already devoted some space to reporting on the 'Colombo Plan'. In a leading article, published in our issue of February 1, 1951 (Vol. X, No. 5), Dr. E. Stuart Kirby has reviewed the 'Colombo Plan' and the well-known economist is now preparing to write further articles on this subject. The following article outlines the principal points of the 'Colombo Plan' and the effects it will have on the countries concerned, particularly India. (ED).

The need for flow of foreign capital, in appreciable quantity, in order to speed up the economic development of South and South East Asian countries has been emphasised in the Report of the Colombo Plan for Co-operative Economic Development in South and South-East Asia. The Plan contained in the Report covers India, Pakistan, Ceylon, Malaya and British Borneo. Invitations have been issued to the other countries of South and South East Asia to participate in the scheme. Aggregate capital involved amounts to £1,868 million. At the end of the planning period, besides other results, it is expected that 13 million acres of new land will be brought under cultivation in the region, thus giving an additional 6 million tons of food grains.

The Plan, which is a six-year development programme, aims to provide basic economic development of the area. Fundamental projects on agriculture, irrigation, power, communications, railways, roads, ports and harbour installations have been approved. It also provides for essential development in the sphere of social services like health, housing and education. The total cost of the schemes drawn up for India, Pakistan, Ceylon, Malaya and British Borneo comes to £1,868 millions. Of this, external finance will be needed to the extent of £1,084 millions. The remainder of the expenditure is proposed to be borne by the member Governments from their internal resources.

The sponsors of the Plan, while realising that the burden of development "must be borne chiefly by the countries themselves" observe that the pace of development would be slow unless a sufficient flow of capital from abroad takes place. The Commonwealth countries in the area, the Report records, "have shown their determination to do their full share in furthering the economic development of their countries." In fact, the Report adds: "The careful preparation of these programmes by the Governments of the under-developed countries and the scrutiny

which they have given to all the projects which they have under contemplation in order to reduce them to a consistent and practical programme is an index of their self-disciplined resolve to move forward energetically."

The Report anticipates the following results in 1956-57, on successful implementation of the programme:

More land under cultivation—13 million acres (increase of 3½ percent)

More foodgrains produced—6 million tons (increase of 10 percent)

More land under irrigation—13 million acres (increase of 17 percent)

More electric generating capacity—1.1 million kwts. (increase of 67 per cent)

South and South East Asian countries, the Report says, contain 570 million people—one quarter of the world's population. The area is rich in natural resources but little touched yet by the Industrial Revolution which, in 150 years, has so completely transformed the face of the Western world. It plays a big part in world trade. It provides almost all the world's exports of jute and rubber, more than 3/4th of the tea, about 2/3rd of the tin and 1/3rd of the oils and fats. These key products have for generations flowed into the great trade routes helping to sustain the industries of Europe and America.

Apart from this material capital, these countries possess, the Report observes, "incalculable capital in the form of the traditions of civilisation which are older than history itself—traditions which have produced treasures of art and learning and which still mould the minds and spirits of their peoples."

Despite this potential wealth, both human and material, the fundamental problem of the region is poverty. The population in the area is growing rapidly—by 20,000 every day. Agricultural productivity is low. Industrial power has not been developed to an extent which can meet the needs of the growing population or improve their standard of living. Again, the last war, by destroying or damaging large parts of the area has caused a further worsening of the living conditions. The Indian sub-continent, the Report says, served as the great Eastern base of the Allied Armies; her industries, ports and railways were overworked with the result that at the end of the War there were enormous arrears and repairs and maintenance to be made good.

This poverty, apart from causing the low economic conditions of the people of the area, is apt "to cloud and

circumscribe" the human assets that the area possesses. The Plan aims to raise the people from their low economic conditions by undertaking some basic development projects. Science and technology, the Report says, has made progress possible in other parts of the world and there is no doubt that by application of similar process "the hastening" of a similar development in Asia can be brought about. Such a consummation will be of benefit not only to Asia, but to the entire world as the latter will gain immensely from further development of the natural resources of these countries and the skills which their peoples possess. Again, the very fact that a fast growing population in this area would have more resources to stand by would contribute towards "a healthy world economy."

#### Development Programmes

Details of the development programmes of India, Pakistan, Ceylon, Malaya and British Borneo drawn up in the Plan are given below:

**India:** River valley projects including Damodar, Hirakud and Bhakra-Nangal projects; Integrated Crop Production

Plan; development of transport and communications. (Total cost of development—Rs. 18,396 millions or £1,379 millions).

**Pakistan:** Thal Project; Bhambawala Ravi Bodian Canal; Rasul Hydro-Electric Project; Lower Sind Barrage, Chittagong Port Development, Malakand Hydro-Electric Extension Project. (Total cost of development—Rs. 2,600 millions or £280 millions).

**Ceylon:** Agricultural development, Port of Colombo development, construction of new roads and railways; establishment of key industries and development of social services. (Total cost of development—Rs. 1,359 millions or £102 millions).

**Malaya, Singapore, North Borneo and Sarawak:** Development of agriculture transport and communications, fuel and power, industry and social service and development of the Singapore Port. (Total cost of development—£107.4 millions).

The distribution and cost of the programmes of these countries are as follows :

	India £m	Pakistan £m	Ceylon £m	Malaya & British Borneo £m		Percent age to total
				Total £m	Total £m	
Agricultural (a)	456	88	88	13	595	82
Transport and Communications	527	57	22	21	627	34
Fuel and Power	43	51	8	20	122	6
Industry and Mining (b)	135	53	6	.6	194	10
Social Capital	218	31	28	53	330	18
	1879	280	102	107	1868	100

(a) including multipurpose projects

(b) excluding coal.

The prime limitation in the execution of the programme is the availability of internal and external finance. The Report says: "The shortage of capital is the main limitation on the execution of the development programmes described in this Report. This arises simply from the poverty of the area. Its productivity and national income per head are so low that the tax structure is inevitably narrow and the taxable capacity inadequate; the flow of savings is insufficient, for the great mass of the people have no margin above subsistence level. Consequently there are very limited resources "with which to finance the capital expenditure required for development". Drawing its main conclusion in this context, the Report says that the problem which confronts the countries in this area is to secure, during the coming six years, a flow of capital from overseas of the order of £1,084 millions to enable them to carry out their minimum development programmes.

The Report indicates five methods by which the amount of external finance required could be raised:—

(a) *Out of the foreign assets which the countries in the area themselves possess:* In particular, the sterling credits which some of them built up in London during the War. India, Pakistan and Ceylon, the Report says, expect that they will be able to draw on these assets up to a total of £246 millions during the next six years. The estimated withdrawal of India alone would be to the tune of £210 millions.

(b) *Out of money put up by private investors abroad for use of private enterprise in the area:* It is too early to say, the Report observes, how much can be expected from this source but the opportunities for private enterprise in South and South East Asia should increase as the development programmes get under way.

(c) *Out of money lent by private investors abroad to the Governments in the area:* For example, by subscribing to loans floated in London and other important financial centres.

(d) *Out of loans from the International Bank for Reconstruction and Development:* Observing that the Bank is a very important source of funds the Report hopes that it would be pos-

sible to enlist its full support and co-operation.

(e) *Gifts and loans from Governments outside the area to Governments inside it:* The Report observes: "A substantial element of Government-to-Government finance will be required, particularly in the early stages of the development programmes", as it is very unlikely that, in view of the magnitude involved, the external finance available through the previous four channels, will be enough to enable the development programme to be carried out.

#### Technical Assistance

Another limitation in the working of the development schemes is the availability of technical skill, mainly of highly skilled personnel, such as engineers, doctors and agricultural experts. Since the technical assistance available or at present planned through national and international sources cannot meet all the known needs of the area, the Commonwealth Consultative Committee at its meeting in Sydney in May 1950, decided to set up a Technical Assistance Scheme to which Commonwealth Governments have agreed to contribute an amount up to a maximum of £8,000,000 over three years.

To implement the above scheme a Council of Technical Co-operation has already been constituted with its headquarters in Colombo and is expected to start functioning very shortly. The main work of the organization will be to find out what the countries in the area are looking for in the way of overseas experts and training facilities and to see what can be done to help them. At the same time the Council will assist these countries to expand their own facilities for training. With regard to the technical assistance already being provided by the United Nations and its Specialised Agencies and under the 'Point Four' programme, the Council will keep in close touch with these organizations to prevent any overlapping and to make sure that the limited number of trained men available to the area are employed to the best advantage.

#### Development Plan for India

The Six-year Development Plan of India covers fundamental projects like agriculture, transport and communication, fuel and power, industry and mining, and social services including education, housing, health, etc. The expenditure spread over six years is estimated at Rs. 18,396 millions or £1,379 millions; of this, an amount of £772 millions will be met from internal resources and the balance £607 millions will have to be financed from external sources including withdrawals from Sterling balances.

The Report gives details of the problems that India had to face on account of the War and subsequently after Partition. During the War, India

was the "Great Eastern Base" of the Allies when "an extraordinarily severe strain" was imposed on her economy. The value of goods and services provided for war purposes was very high. This combined with six-fold increase in money supply arising from the needs of war finances produced a serious inflation. In spite of controls, wholesale price index rose from 100 in 1939 to 400 in 1950 and the cost of living index reached 320.

On the external balance of payments position, the effects became apparent, the Report says, on the margins after the war of a large deficit such as the economy of the country seldom experienced in pre-war years. This deficit arose from heavily increased imports—of foodgrains to meet the domestic shortage of consumer goods, to meet the backlog of pent-up demand, and of capital goods to meet accumulated industrial maintenance and replacement needs. "Although the use made of sterling balances to satisfy these import demands has helped to hold inflation in check, at the end of five years it still remains a major obstacle to economic progress."

In addition to the problems caused by the War, the Report points out, partition of the country created further difficulties. A part of what had previously been internal trade in cotton, jute and foodgrains became a feature of external trade and abnormal expenditure of about Rs. 300 millions on essential food subsidies intensified the Budgetary problem.

The development schemes of India are designed to improve the standard of living, to provide a minimum of social service and to supply sufficient capital and consumer goods to restrain inflation. To achieve these objectives it is proposed: (a) to undertake certain basic public developments such as irrigation and rural electrification in order to increase agricultural production; (b) to increase the supply of fertilisers, agricultural implements and building materials at a reasonable cost in order to raise the yield of land under cultivation; (c) to develop and improve transport facilities; (d) to promote the full use of existing industrial equipment and capacity and to extend the production of iron and steel; and (e) to encourage industry in the villages in order to provide work for the under-employed and unemployed rural population.

"A great deal of work", the Report says, "has already been started to meet development needs. The programme now contemplated embraces schemes already begun and in addition, others of high priority which could be undertaken as soon as adequate finance is available."

The details of the approved programmes are given below:—

Details	Rs. and £	Percentage
	in Million	of Total
Agriculture	Rs. 6,080	
	£ 456	
Transport and Communications including railways, roads, ports and Harbours	Rs. 7,027	38
	£ 527	
Fuel and Power	Rs. 576	
	£ 43	
Industry and Mining (including coal)	Rs. 1,800	10
	£ 135	
Social Service (Education Housing, Health, etc.)	Rs. 2,913	16
	£ 218	
Total	Rs. 18,396	
	£ 1,379	

Agricultural programme includes three multipurpose projects which are accorded very high priority. These are the Damodar Valley (Rs. 500 millions), the Hirakud (Rs. 300 millions) and the Bhakra-Nangal (Rs. 757 millions). Another major item on the agricultural development programme is the Integrated Crop Production Plan, launched by the Government of India. Increased production of crops at the end of 1956-57 as a result of the schemes approved, the Report says, will be 3 million tons of foodgrains, about 195,000 tons of cotton, 375,000 tons of jute and 1.5 million tons of pulses.

Under transport and communications, construction and restoration of track, bridges, structural work and rollingstock are included. The scheme for establishment of a plant for the manufacture of locomotives is also being promoted. In the industrial sector, the emphasis is on raising the production of steel, particularly through the modernization and expansion of existing Steel Plant and construction of additional capacity for an annual output of 500,000 tons.

The development programme, if implemented fully, will provide for improvement in the standard of living. Quantitatively estimated, the Report says, the availability of cloth per individual will be 15 yards as against 10 yards at present and, 16 ozs. of food ration in urban areas as against 12 ozs. at present. Foreign exchange expenditure on food supplies which is an important cause of the current balance of payment deficit should also be reduced and substantial increase in exports of raw materials such as oilseeds and short staple cotton and of manufactures like jute products, cotton textiles and other consumer goods should accrue. At the end of the Six-year period, it is expected that equilibrium will be achieved at a higher level of international trade.

The Report gives the views of the Government of India in case external finance to the extent necessary is not forthcoming for continuing the development programme. It says: "In that event, India would have to face at the same time the problem of counteracting inflation and the necessity of carrying out a modicum of development within the resources at its command. This would inevitably entail a drastic curtailment of imports and possibly the abandonment of some development projects already under way. It might also require, apart from any possible economy in expenditure, the raising of taxes to levels which are bound to cause further hardship. If it becomes necessary to resort to a certain amount of deficit financing to carry out a minimum programme of development the existing fiscal and financial controls would have to be intensified and expanded. In present conditions in India, this would present formidable difficulties."

"Such a rigorous management of the country's economy would be likely to lead to unemployment, to reduce trade with the rest of the world and to lower business activity. No noticeable improvement in living conditions would be possible and there might be deterioration. This is bound to react unfavourably on the economic and political conditions of the country, especially, in the prevailing social and political atmosphere in the South and South East Asia."

## THE PORT OF COLOMBO

### 1. Dimensions at Entrance to Harbour

	Minimum Width	Minimum Navigable Depth*
Western Entrance .....	750 ft.	38 ft.
Northern Entrance .....	700 ft.	32 ft.

\* L.W.O.S.T.

### 2. Berthing Accommodation

#### (a) AT BUOYS:—

	South-West Monsoon (May to Sept.)	North-East Monsoon (Oct. to April)
Number of berths (large)	34	42
Number of berths (small)	6	5
—	—	—
40	47	—
—	—	—

Maximum Draft at which ships can be permitted—35 ft.

#### (b) ALONGSIDE:—

Guide Pier .....	Entire length, 800 ft.
	Depth up to 1st 500 ft.—33 ft.
	Depth for remaining 300 ft.—30 ft.

Discharge Jetty Length .....	550 ft.
Depth .....	33 ft.

#### OIL BERTH:—

* Outer Bunkering Jetty .....	Length .....	550 ft.
	Depth .....	32 ft.

\* As work on the provision of alongside berths has now commenced, this berth will be out of commission for the next 18 months or so.

Maximum Draft at which ships can be permitted is 2 ft. less than depth of water shown.

## THE PORT OF COLOMBO AND ITS HISTORY

The year 1950 marked the beginning of a new and auspicious epoch in the history of the Port of Colombo. Almost half a century of planning to improve the facilities of the Port was brought to fruition on the 28th of June, 1950, with the signing of the contract for the eighty-million-rupee scheme of development, which will make it a modern port keyed to meet the speed and efficiency of this new age. This is the largest contract for a fixed sum placed up to now by the Government for the undertaking of specific constructional work.

The scheme of development aims not only to bring Colombo into line with neighbouring Eastern Ports, but also to place her on a par with other great world ports. Quays, alongside which ships can berth, modern warehouses where goods may be temporarily deposited pending clearance, cranes and other mechanical appliances for the expeditious handling of cargo between ship and shore, roads and railway tracks, all essential appanages of a modern port, will, with the completion of the development work, be available to world shipping calling at Colombo.

The planning of the development of the Port of Colombo was first commenced in January, 1946, when Sir John Kotewala, K.B.E., was Minister of Communications and Works and Lt.-Col. P. A. J. Hernu was Chairman

of the Colombo Port Commission. The preliminary plans were completed in Colombo and then sent to the Consulting Engineers for the production of the detailed plans. When these were completed and the terms of Contract approved, tenders were submitted by firms of world-wide repute from five different countries. The tender of a famous French firm of Contractors the Compagnie Industrielle de Travaux (Entreprises Schneider) et Etablissements Billard, for the amount of Rs. 56,342,270, was accepted and the Contract signed in Colombo in less than four-and-a-half years from the date of the commencement of planning.

### The Past

Let us glance back at the history of the Port of Colombo. The open anchorage, situated in the corner of the harbour between the root of the present South-West Breakwater and the offices of the Colombo Port Commission, was undoubtedly known more than 2,000 years ago to the trading fleets of seafaring nations of the then known world. Greeks, Romans, Persians and Arabs, voyaging in search of the fabulous wealth of the East, must have anchored here although no specific mention of the anchorage has been made by chroniclers prior to the 16th century, which saw the advent of the Portuguese caravels.

With the succeeding Dutch and early British periods, Colombo attained

increasing prominence on the sea lanes of the Orient. Reference to records published in 1830 reveals that 130 vessels of an aggregate tonnage of 20,000 made use of the open anchorage. Four decades later, when the number of ships calling at Colombo had increased thirteen-fold, it became evident that the construction of a safe and commodious harbour was an urgent necessity to give protection to shipping exposed to the fury of the monsoons. Up to that time extreme caution was necessary to pilot a ship into the anchorage on account of sunken rocks, sandbanks and coral reefs, and vessels of any size were compelled to anchor from one to two miles from the shore. The proposals for the development of the port received further impetus when the Suez Canal was opened in 1869, thereby opening up additional trade possibilities for Colombo.

The history of Colombo as an artificial harbour begins soon after this date, for, in 1874, after close and prolonged investigation, the preliminary work for the construction of the South-West Breakwater was put in hand and the following year saw the laying of the foundation stone. With its completion in 1885, the former open roadstead of Colombo was changed into a harbour that was sheltered on its most exposed side from the South-West Monsoon. The continued economic expansion and the ever-increasing demands of shipping calling at Colombo, however, required the construction of further protective works. The construction of the North-East Breakwater, and later the North-West Breakwater (known as the Island Breakwater), were completed by the end of 1906. Finally, in 1912, an extension arm of the South-West Breakwater was constructed, thus making Colombo a haven of 640 acres of completely sheltered water for shipping. These improvements have yielded handsome dividends, for the net tonnage of shipping calling at Colombo has spiralled upwards from one hundred and seventy thousand in 1871 to approximately eleven and three-quarter millions in 1949.

Exactly 75 years after the first stone was laid to transform it from an open roadstead into a protected harbour, Colombo today is on the threshold of its second phase of development.

### The Present

The first plans in connection with the present scheme of development of the Port with alongside berths were drawn up in 1902, but they were not accepted by the Harbour Board, the controlling body of the time. In 1908, modified plans were again presented to the Board only to be rejected a second time. After an interval of about ten years, in 1917, the subject of developing the Port was considered once more, but the progress was so slow that it was not until 1926 that the

### 3. Warehouse Accommodation

	Imports, Exports & Transhipment
Total area of ground space ....	625,663 sq. ft.
Total cubic capacity .....	8,264,323 cu. ft.

All Warehouses are served by road and rail transport facilities.

### 4. Cranes:-

	Number	Capacity
Electric Cranes .....	33	1—6 tons
Steam Cranes .....	26	2—5 "
Steam Jib Cranes .....	2	10 "
Steam block loading "Titan" .....	1	83 "
Dockside Crane .....	1	80 "
Steam Goliath Cranes .....	4	5—30 "
Mobile Cranes .....	8	4—10 "
Floating Cranes .....	5	5—60 "

### 5. Docks and Slipways

(a) GRAVING DOCK:-
Length ..... 694 ft. 7½ ins. (extreme on floor)
Breadth ..... 85 ft. (at cope)
Depth ..... 30 ft. (L.W.O.S.T.)
(b) INNER GRAVING DOCK:-
Length ..... 350 ft. (extreme on floor)
Breadth ..... 54 ft. (at cope)
Depth ..... 20 ft. (L.W.O.S.T.)

### (c) PATENT SLIP:-

Length of cradle 200 ft.
Breadth ..... 25 ft.
Depth ..... 11 ft forward
21 ft. aft.

Capacity ..... 1,000 tons

### 6. Oil Facilities

The Storage Depot, 128 acres in extent, is at Kolonnawa, 4½ miles from the Harbour. There is also a Measuring Tanks Depot, 19 acres in extent, at Bloemendhal, ¾ mile from the Harbour. Two 10" diameter pipelines for liquid fuel,

one 10" diameter pipeline for Kerosine Oil and Benzine and an 8" diameter pipeline for automotive diesel oil, together with boosting pumps, connect the Harbour (Guide Pier, Discharge Jetty and Outer Bunkering Jetty) to the Installation.

The Depot is divided into two sections, one for fuel oil and kerosine and the other for benzine and other dangerous oils. These two sections are separated by a safety reservation. The Depot is accessible by road and rail. Land is available for lease both at Kolonnawa Oil Depot and Bloemendhal.

### 7. Coconut Oil Facilities

The Storage Tanks, 8 in number, are at Summer Hill, within the Harbour premises. The total storage capacity of the tanks is 4,600 tons. An 8" diameter pipeline delivers oil at the rate of 180-200 tons per hour to the Guide Pier where ships berth to load the bulk coconut oil. Delivery to ship will shortly be speeded up to about 300 tons per hour when a boosting pump is installed.

### 8. Transhipment Cargo

Special low rates are quoted for handling transhipment cargo, as well as reductions given in Port Entering Dues on vessels carrying cargo for transhipment in Colombo.

### 9. Fire Protection

Efficient protection is ensured at all times in the Port by the Fire Float "Phoenix," as well as land appliances.

### 10. Landing Companies

Four principal Landing Companies own between them about 350 cargo lighters ranging from 35 to 100 tons, tugs and special craft by which cargo is transported between ship and shore and vice versa. Stevedore Contractors provide fast working stevedore gangs for handling import and export cargoes.

pans began to take shape. Another decade elapsed before they were ready. Deliberations with the Consulting Engineers which followed had not proceeded far beyond this stage, however, when war intervened in 1939, and once again the work of planning was laid aside.

Undaunted by these vicissitudes, at the beginning of 1946, only six months after the cessation of hostilities, attention was again focussed on this all-important task and a determined and energetic effort made to produce the plans with the utmost possible speed. The old plan was scrapped and an entirely new scheme was prepared to meet the needs of a transit port. Only four-and-a-half years from the commencement of planning, the first stage of the development was launched with the signing of the Contract on the 28th of June, 1950.

The present comprehensive scheme is designed to cover the discharge of imported foodstuffs and general cargo, the loading of the Island's products, the discharge of oil tankers, oil bunkering, the handling of railway coal and phosphate cargoes and, finally, the requirements of passenger traffic.

The modernisation of the Port of Colombo will have incalculable effects on the future well-being of Ceylon. It is only necessary to enumerate but some of the benefits which will accrue to the country from the development of the Port to show how lasting their effect will be on the life of the community in time to come. They will be—(1) to reduce the cost of imports—particularly foodstuffs; (2) to bring down the handling costs of exports to foreign markets; (3) to build up a valuable transhipment trade; (4) to attract world shipping, which will mean that more money will be actually paid to the community in wages, as a result of increased purchasing of provisions, oil and water; bunkering, dry-docking and repairs, and a greater use of other services which are necessary to ships plying the world trade routes; and finally (5) to increase the revenue already derived from the Port.

Alongside berths will result in a far more rapid turn-round of ships which will tend to reduce costs to the ship-owner, with the resultant reduction in freight rates. The mechanisation of cargo handling operations will eliminate the inhuman manual methods at present obtaining and will, at the same time, effect a big saving in costs to the importer by reason of the fact that his cargo is discharged direct from ship to quayside with fewer handling operations.

The plan of development which is now to be undertaken has been generally hailed as being the soundest method of providing the Port with alongside berths, not only from the

point of view of efficiency in operation, but also as a minimum requirement for the effective trade of the Port. The length of time necessary to carry out the whole plan of development works is estimated at 3½ to 4 years, at the end of which time at least two-thirds of the handling of import cargoes will have switched from lighterage to direct discharge from ship to quayside.

Judged by any standard, Colombo to-day, cannot be considered an efficient Port. As one of the great ports of the world, it is undoubtedly seriously behind times and more antiquated in its method of handling cargo than any other port of its importance. Although the plans of development are long overdue, it is not too late if the whole scheme is pushed resolutely ahead.

#### The Future

The scheme of constructional development comprises four distinct major works to be built, and is phased in two main parts—part one being as follows:

(a) North-East Breakwater Quay.—The existing North-East Breakwater is to be converted into a solid quay 1,232 feet in length giving two berths for cargo ships, each with its transit sheds. This quay will be used primarily for the discharge of railway coal, cargoes of phosphates and other manures. Rail served, it will also have electric capstans for shunting wagons. The quay will be sufficiently wide to permit lorries to remove other types of cargo direct from the ship's side.

(b) Oil Dock.—The length of the north pier will be 1,078 feet and the south quay (Guide Pier) will be 1,000 feet. The dock will be dredged to a depth of 35 feet below Low Water of Spring Tide and will be equipped with a floating boom across its entrance, which will prevent, in the event of fire, the dangerous spreading of oil or petrol over the rest of the harbour. This dock will accommodate two tankers and will be equipped with pipelines leading to the Oil Depot at Kolonnawa, where the main stocks of the various Oil Companies are stored.

(c) Lengthening of the Guide Pier or South Quay of the Oil Dock.—The Guide Pier will have a total length of 1,000 feet and will permit two vessels to berth alongside, instead of one as at present, to receive supplies of fuel oil and fresh water from the pipelines on the quay. It will also be equipped with pipelines for loading ships with bulk coconut oil from the storage tanks at Summerhill, as well as bulk latex from storage tanks to be built nearby.

(d) Delft Pier.—This pier, 425 feet wide, will be built on the site of the present Passenger Jetty and will extend as far as the entrance of the Harbour-to-Lake Canal. Its eastern

face will be 1,984 feet in length and will provide two berths for large cargo steamers. Its western face will be 1,352 feet in length and will provide two further berths for cargo vessels. Each of these berths will be provided with large modern transit sheds, specially designed for handling bagged grain and other cargoes, as well as facilities for the fumigation of such cargoes. It will be rail served. Facilities will be available for obtaining supplies of fresh water and oil fuel by pipelines. On the western side of the canal entrance will be a small alongside quay, 417 feet long, for the small vessels engaged on the Colombo-Tuticorin service.

Part II will be as follows:—South-West Breakwater Quay.—The length of this quay will be some 2,900 feet, providing berths for five big ships. It will be similar in construction to the North-East Breakwater Quay and will be fully equipped with rail and road facilities. Large and up-to-date transit sheds with special accommodation for passengers will be provided on each berth. Supplies of fresh water and oil fuel will also be available at these berths.

When the present plans for the development of the Port are completed, it will mean that Colombo will have alongside berths for some 14-16 ships. Considerable thought has been given to the question of the design of transit sheds and to the most suitable equipment for the mechanical handling of cargo.

Approximately 75 percent of the cost of the works will be spent in Ceylon in wages and on materials, thus affording employment on a large scale. On the site alone, the Contractors will employ a large number of workmen, apart from overseers, clerks, draughtsmen and engineers. In addition, a large labour force will be indirectly employed in obtaining supplies of building and other materials. Local cement will be used exclusively throughout the Scheme when it becomes available.

When the scheme of development is completed, Colombo will undoubtedly be one of the most efficient ports in the East. If to this is added its enviable geographical situation at the "Cross-roads of the East", it can at long last look forward with confidence to the future and the important part it will play in the material progress of the nation. In the words of the inscription on the memorial, this project "marks the bold enterprise and vision displayed by the first leaders of Free Lanka who, by embarking upon such immense constructional works as the Colombo Port Development Scheme of 1950, emulated the shining example of her great Kings whose public works shed glory upon this land."



## CHINA'S NEW FOREIGN TRADE POLICY

By C. Y. W. Meng  
(People's Bank of China, Shanghai)

### Pre-War Period

The Chinese Maritime Customs started the publication of trade statistics of China in 1859. The first materials issued were incomplete. It was not until 1863 when Sir Robert Hart became Inspector-General of Customs that statistics for the whole country were prepared in addition to those for individual ports. The valuation of trade transactions was standardized with Haiku Tael as the unit.

From the year 1864 until the communists took over in 1949, a period of more than 80 years, China's economic situation as reflected by trade statistics of the customs showed no change. The development of foreign trade during this period reflected well the so-called feudal and semi-colonial status of China's position at the time. In the operation of trading enterprises, China occupied a passive and indirect role. The nature of business transacted consisted of the importation of large quantities of food supplies and industrial finished products and the export of agricultural products. There was a huge import surplus.

The following table gives the total volume of foreign trade in China annually from 1864 to 1937, the year 1913 being taken as the basic year (Unit: values for 1864-1934 in million of Haiku Tael, and that for 1935-1937 in million of Customs Gold Units):

### Surplus

Year	Exports	Index	Imports	Index	Surplus or Deficit
1864	48	12.1	46	8.1	2+
1865	54	13.4	55	9.6	1-
1866	50	12.5	67	11.8	17-
1867	52	12.9	62	11.0	10-
1868	61	15.8	68	11.1	2-
1869	60	14.9	67	11.8	7-
1870	55	13.7	63	11.2	8-
1871	66	16.6	70	12.3	4-
1872	75	18.7	67	11.8	8+
1873	69	17.2	66	11.7	8+
1874	66	16.5	64	11.8	2+
1875	68	17.1	67	11.9	1+
1876	80	20.0	70	12.8	10+
1877	67	16.7	73	12.8	6-
1878	67	16.7	70	12.4	3-
1879	72	17.9	82	14.4	10-
1880	77	19.3	79	18.9	2-
1881	71	17.7	91	16.1	20-
1882	67	16.7	77	13.6	10-
1883	70	17.4	73	12.9	8-
1884	67	16.6	72	12.8	5-
1885	65	16.1	88	15.5	23-
1886	77	19.3	87	15.3	10-
1887	85	21.8	102	17.9	17-
1888	92	22.9	124	21.9	32-
1889	96	24.0	110	19.4	14-
1890	87	21.4	127	22.8	40-
1891	100	25.0	134	23.5	84-
1892	102	25.4	135	23.7	83-
1893	116	28.9	151	26.5	85-
1894	128	31.8	162	28.4	34-
1895	143	35.5	171	30.1	38-
1896	131	32.5	202	35.5	72-
1897	168	40.5	202	35.5	43-
1898	159	39.4	209	36.8	50-

Generally speaking, the most marked characteristic of foreign trade of this period was the continuous and huge import surplus. Though the total volume of trade showed an increase, it was very gradual.

Analyzing this period in a more detailed manner, we may divide the years from 1864 to 1937 into five sub-periods. The first was from 1864 to 1884. During this period, trade was not brisk, while there was a near balance between imports and exports. There were several years in which an export surplus was registered, though for most of the years there was an import surplus, and the surplus was generally not very large.

The second sub-period was from 1885 to 1895. Since 1885, there was a marked increase in the volume of trade with a corresponding increase in the import surplus. It may be pointed out here that during this period the customs established stations in Kowloon and Macao, so that trade returns for these two areas, formerly not included in the customs statistics, were added, thereby producing an immediate increase in the figures registered.

The third sub-period was from 1896 to 1913, a period in which the foreign trade of China showed a marked

development. This phenomenal increase in China's foreign trade had several reasons. In the first place, the various foreign powers began to exercise their rights to operate factories in China at about this time. In the second place, railway construction was extensively undertaken during the period. In the third place, the conclusion of the Russo-Japanese War in 1905 turned China's Northeast into an important area for foreign trade.

The fourth sub-period was from 1914, when the World War broke out, to 1931, with the "Mukden Incident" occurring on September 18, in the Northeast. During this period, there was a further increase in the country's foreign trade, while the import surplus was somewhat reduced (comparatively speaking) because of the reduction in exports from the warring countries.

The fifth sub-period dated from 1931 to 1937. During this time, China began to suffer seriously from the effects of the Japanese invasion of the Northeast, and foreign trade situation was on the downgrade. The general world economic depression beginning in 1929 also had its effects on China.

In more than hundred years since China was opened to foreign trade, imported goods were mostly industrial products, displaying clearly that China was functioning as a market for foreign manufactured goods.

In the decade from 1900 to 1910, among China's imports, cotton goods and foodstuffs registered marked increases. In 1905, imported cotton goods occupied about 40 percent of the total imports. In 1908, imported foodstuffs occupied about 20 percent of the total, and imports of tobacco, petroleum and metals was also on the increase. By 1933, though the largest items of imported goods were mainly cotton products, raw cotton, ores, liquid fuels and granulated sugar, increases had also been registered in the import of metals, ores, machine tools, vehicles and vessels, chemicals and firearms.

In the period from 1870 to 1900, Great Britain occupied the foremost place in China's import trade with the United States taking the second place. Toward the end of the 19th century, Japan gradually assumed a more important position and leaped to the first place. On entering the 20th century, Japan took over the first place in China's import trade, with the United States occupying the second, and Great Britain receding to the third place. After 1933, due to the outbreak of the "Mukden Incident" and the occupation of Manchuria by Japan, the United States took the first place in China's import trade aside from Manchuria, with Japan second, and Great Britain still third.

On the export side, China was functioning fully as a supplier of sometimes dear sometimes cheap raw

materials to foreign manufacturers. Generally speaking, in the period from 1870 to 1900, Great Britain occupied the first place in China's export trade with Japan taking the second place and the United States third. Later, as a result of the defeat sustained by China in the Sino-Japanese War of 1894-95, the influence of Japan extended to China, and Japan took over the first place in China's export trade, with Great Britain receding to the second place, and the United States remaining the third. After the conclusion of World War I, the United States rose to the second place with Japan retaining the first place and Great Britain further falling to the third place. This order remained unchanged until 1931. Later on, due to the outbreak of the "Mukden Incident" and the occupation of the Northeast by Japan, the United States jumped to the first place in China's export trade, aside from the Northeast, with Japan coming next and Great Britain third.

#### Post-War Period

After VJ Day, the Chinese government fixed the exchange rate at 600 times above the pre-war level when commodity prices had already registered an increase of from 3,000 to 4,000 times. Thus imports were deliberately encouraged, and exports throttled, which was however considered necessary to restart trade with foreign countries.

According to customs statistics, during the year 1946, the ratio of imports against exports of China was four to one, not even taking into account relief supplies from UNRRA and American surplus supplies. In 1947, imports were still two times the exports. This ratio was reduced in 1948 not because of improved trade, but because the Chinese government were forced to cut down imports of other supplies to meet costs for war material imports. Figures for these years, all being converted into US currency, are shown in the following table:

	Imports	Exports	Ratio	% of Imports to Total Trade		% of Import Excess to Total Imports	
				Total Value of Trade	Imports to Total Trade	Import Excess	Import Excess to Total Imports
1946: Total .....	560,579,822	148,878,803	8.77	709,458,680	79.02	411,701,014	73.44
Monthly							
Average ..	46,714,985	12,406,567	3.77	59,121,553	79.02	34,808,418	73.44
1947: Total .....	480,156,756	230,533,980	2.08	710,690,736	67.56	249,622,776	51.99
Monthly							
Average ..	40,013,063	19,211,165	2.08	59,224,228	67.56	20,801,898	51.99
1948: (Unit: in US\$1,000)							
January .....	19,473	16,274	1.20	35,747	54.47	8,199	16.43
February .....	14,078	12,830	1.14	26,408	63.31	1,748	12.42
March .....	32,328	17,830	1.87	49,658	65.10	14,998	46.39
April .....	25,052	16,823	1.49	41,875	59.83	8,229	32.85
May .....	32,992	19,741	1.67	52,733	62.56	13,251	40.16
June .....	19,751	9,618	1.01	19,869	50.34	133	1.36
Total .....	188,674	92,110	1.45	225,790	59.20	41,558	31.09

#### Communist China's Trade Policy

Following the communist take-over in China, the foreign trade policy of communist China has undergone a fundamental change, a change-over from passive to active foreign trade, from supplying mainly raw materials to planned export trade, and from serving as a market for foreign manufactured goods to importing vital reconstruction equipment and materials only. The guiding principle is "Restriction on Imports and Encouragement to Exports." It is probably safe to say that the Central People's Government of China has realized the importance of foreign trade, and has laid emphasis on its development, more than has any other government of China in the past. A new period has thus opened in the history of China's foreign trade.

In order to understand the communist policy, we have to refer back to their Common Program, part of which stipulates that "The basic principle for the economic construction of the People's Republic of China is to

develop production and bring about a prosperous economy through the policies of taking into account both public and private interests, of benefiting both labor and capital, of mutual aid between the city and countryside, and circulation of goods between China and abroad...." (Article 26), "Control shall be exercised over foreign trade and the policy of protecting trade shall be adopted" (Article 37), and "The People's Republic of China may restore and develop trading and commercial relations with foreign governments and peoples on the basis of equality and mutual benefit" (Article 57).

Being fully aware of this need, the People's Government lost no time to encourage foreign trade. As soon as any port was occupied, measures were promptly adopted to achieve this end. Among these measures, we may mention foreign trade and foreign exchange regulations through which effective control can be exercised and realistic and flexible exchange rate can be maintained. Some specialized

companies are organized to handle China's principal exports. Reduced freight charges and transportation priority have been granted to certain export materials, and raw materials needed for manufacturing export products are allowed to be imported. A series of loans, ranging from the purchases in producing areas to the refining and packing at loading ports, have been extended by the state banks.

At the same time, every step is being taken to remind the exporters of the importance of raising the quality of export goods. Only by raising the quality of exported native products can foreign market be consolidated. The Yuen Shing Carpet Factory in Tientsin has won a good reputation abroad and has achieved great success in sales, because it has never exported any second-rate products.

The stability of commodity prices and the steady quotations of foreign exchange are both advantageous to the carrying out of export business. In the past, while a transaction was still under negotiation with those abroad, the cost within the country kept rising, thus affecting exports and often resulting in the situation that no profit could be made. That day is gone.

The planned export trade enforced during the second half of September, October and November, 1950 enabled it to earn for the government a considerable amount of foreign exchange, and in the meantime, afforded decisive opportunities for the development and better marketing of rural products.

With the appearance of a new situation, China's import trade has also changed completely. According to recent import data, of goods imported into China in the first half of 1950, over 90 percent was factory equipment, industrial raw materials and communications equipment and materials. All unnecessary goods or products which domestic mills are capable of manufacturing were no longer allowed to enter the Chinese market. All these have eradicated the abnormal phenomenon of importing mainly non-essentials during the days of the Nationalist government and carrying out the protective trade policy of the Common Program.

Recently, our foreign trade control authorities have adopted measures concerning the import of necessary equipment and materials for construction by supplying sufficient foreign exchange. Therefore, China's import trade is now being directed to the purchase of construction equipment and materials for the speedy restoration and development of our production.

During this period, China has already secured a favorable balance of trade—an occurrence not to be found in her years of trade relations with other countries. In less than a year's

time, she has accumulated a large amount of foreign exchange from merchandise exports and emigrants' remittances not only sufficient to cover her imports for the period but to leave her a sizable balance for further purchase abroad.

Coordinated with these measures of trade control is the control exercised over foreign exchange. Concrete measures already taken include the ban on free circulation of foreign currencies, acceptance of deposits in foreign currencies, and the wiping out of the black market in foreign currencies. A foreign exchange market has been created to centralize legal transactions. Exchange earned from exports must be deposited with the state banks for exchange deposit certificates. Import licenses must be secured for all imports. Exchange rates are adjusted from time to time generally in accordance with commodity price movement. Speculation in foreign trade and foreign exchange operations by exporters and importers at the expense of the government and the public, so rampant in the past few years, has almost entirely been eradicated.

The results achieved were spectacular. With the exception of 1937, the volume of China's foreign trade for the 9-month period from the establishment of the Central People's Government in October 1949, to the end of June 1950, exceeded that, for a similar period of any year since 1932. This was obtained despite a serious food shortage in some provinces, a blockade of China's coast, and for sometime, air raid on her principal ports by the Nationalist government forces in Taiwan.

#### Trade in 1950

From January to November, 1950, China's exports amounted to 55.56 percent of her total trade, and imports to 44.44 percent. In this period, export trade of the state trading concerns amounted to 53 percent, and the private ones to 47 percent, and in the import trade, the state trading concerns amounted to 69.89 percent, and the private ones to 30.11 percent, of the total.

During the first half of 1950, there was a period of inactivity before the revival of exports got under way in July, August and September. The last year's export trade may be summed up as follows:

Peanuts exported amounted to US\$ 11,366,585. The total quantity of tung oil exported during January-August is valued at US\$7,198,315. The total quantity of tea exported by the end of October was 5,383,265.50 kg., valued at US\$4,243,521, £37,620 and HK\$ 1,056,968. Out of a total of about 1.1 million pounds of menthol sold, 0.9 million lbs. had already been shipped with 0.2 million lbs. awaiting shipment. Calculated at an average of US\$

8.50 per lb., the portion already exported amounted to US\$7,650,000. Other vegetable oils exported during the same period valued at US\$ 3,225,085.

Other exports which we may mention here are: Lace valued at US\$4 million, cereals, mountain products and ground products and others at US\$1 or 2 million, crude peppermint oil at about US\$810,000, straw hats at about US\$800,000, gallnuts at about US\$500,000, and ramie and medicinal substances at US\$300,000, respectively.

Cotton cloth worth US\$1,800,000 was exported. But this export was temporarily suspended since September, owing to the increase of domestic demand.

On the import side, mainly imported were machinery, installations and raw materials for our industrial production.

The year 1950 has also witnessed a complete renovation of the Chinese customs administration. The directive on general principles governing the establishment of customs houses issued by the Administration Council of the Central People's Government on December 14, 1950, has altered entirely the century-old character of the Chinese Customs Houses, and have made them distinctly a Chinese government institution capable of protecting the national economy. The post of "Inspector-General of Customs" held by foreign nationals for almost a century was abolished, though the very great help rendered by these foreigners cannot possibly be overstated. All irrational and complicated processes of the customs house inspection of old days have been simplified.

#### Trade by Ports

Shanghai has been the largest port of foreign trade in our country with the total value of its exports and imports annually occupying 60 to 70 percent of that of the whole country.

The staple goods produced in the various provinces along the Yangtze, such as silk, tea, tung oil, menthol, medical substances, egg products and bristles have mostly been exported via this port. Materials which are necessary for industrial production but which are scarce in this country, such as hardware, petroleum products, dyestuffs and pigments, paper pulp, and industrial chemicals, have also mostly been imported through Shanghai.

Before the last War the export and import trade was largely handled by foreign merchants, and there were few private Chinese traders engaged in the same business. After the war, however, as a result of pent-up war demand for foreign goods which the US was mainly in a position to supply, and with low official quotation of foreign exchange, an abnormal development of import trade in Shanghai

took place. According to statistics of registration, Shanghai just before the communists occupied it, had a total of 1,434 import firms. These anomalous developments showed that Shanghai had become the by far leading port of China, engaged principally in trade, while the national industry due to bad organisation and low quality output lost its position gradually.

Following Shanghai becoming a communist city, the People's Government took steps to change the pattern of foreign trade of this port. Provisional regulations governing foreign trade of East China were promulgated on June 6, 1949. The spirit of these regulations lies in the restriction on imports and encouragement of exports. As a result of taking of these measures, Shanghai witnessed a considerable development in export trade despite the blockade by the Nationalist forces on Taiwan. According to statistics, from June 1949 to February 1950, the total volume of goods exported reached 124,117 quintals, valued at US\$9,910,000, which included tea US\$ 2,270,000, bristles US\$920,000, tung oil US\$830,000, cotton textile and knitted goods US\$690,000, piece goods US\$ 730,000, furs US\$470,000, fowl down US\$470,000, white silk US\$350,000, casings US\$290,000, cotton yarn US\$ 250,000, straw hats and straw hat bands US\$230,000, wool US\$220,000, menthol US\$320,000 and egg products US\$180,000.

As to import business, the total value of imported goods from June 1949 to February 1950 was estimated at US\$15,330,000. They were all important materials indispensable for productive enterprises, including raw cotton US\$2,530,000, machine and tools US\$1,870,000, rubber US\$1,610,000, diesel oil US\$1,130,000, paper US\$810,000, hardware US\$640,000, dyestuffs US\$540,000, miscellaneous metal manufactures US\$520,000, medicines US\$ 530,000, chemicals US\$560,000, wool US\$470,000, caustic soda US\$370,000, grain US\$330,000, petroleum US\$300,000, vehicles and vessels US\$250,000, and gasoline US\$250,000.

Following the communist take-over of Tientsin, the North China Foreign Trade Control Bureau and the North China Foreign Trade Company were organized simultaneously on March 18, 1949, to develop North China's foreign trade. The monthly trade figures of Tientsin for the first year after its liberation may be summed up as follows (Unit: in thousands of Jen Min Piao):—

Month	Imports	Exports
March	827,700	530,800
April	766,800	758,700
May	1,725,800	2,315,700
June	1,598,100	4,935,500
July	2,772,450	6,210,700
August	4,592,550	8,355,700
September	10,637,800	12,823,000
October	13,629,700	15,251,700
November	39,026,200	33,047,500
December	67,993,000	113,737,100

According to a report in the Tientsin Chin-Pu Jih Pao of January 15, 1950, during the period (March to December, 1949), total exports from North China were valued at US\$53,880,000, while imports were worth US\$51,400,000, so that there was an export surplus of US\$2,480,000.

Of exports, carpets came to 15 percent of the total value, piece goods 11 percent, woollen goods and vegetable oils, 9 percent each, egg products 8 percent, native products 7 percent, and hog bristles 4 percent, with the remaining 36 percent covering all other categories.

Of imports for the same period, dyestuffs consisted of 23 percent, chemicals 17 percent, metals, rubber and paper 10 percent each, gunny sacks 5 percent, machine and tools 4 percent, vehicles and vessels 4 percent, with the remaining 13 percent including all other categories.

It will be seen that although exports still consisted in the main of agricultural products and agricultural by-products and handicraft work, practically all imports were required for the restoration of production and the influx of luxury items has been almost entirely checked.

During 1949, the number of private export and import merchants in Tientsin, including both Chinese and foreign, reached 556, and together with 165 branches of the private export and import firms of the East China area, totalled 719, exceeding the figures before the communist take-over by more than 100 percent. Thus a prosperous situation in Tientsin's foreign trade has appeared.

Similarly, in South China, the foreign trade policy was the control of imports and promotion of exports with the emphasis being laid on the latter. Through this policy, import excess was reduced to balance and from balance to over-all export excess.

In three months from January to March, while the exports witnessed monthly increases, imports decreased relatively, and out of the import excess emerged the situation of balanced trade. In the field of exports, if the amount of exports approved last December is taken as 100, January registered an increase of 14 times over December, February more than nine times, and March more than 15 times. In the field of imports, if also the December amount is taken as 100, January registered a decrease of 99.61 percent, February 68.13 percent, and March 63.02 percent. Under these circumstances, the ratio of exports to imports were less than two to one for January, two to one for February, and one to one, i.e. balanced for March.

By May, in the field of exports, agricultural products which formerly could not be exported are now being

exported. Thus, agricultural products occupied the first place among exports, being 44.65 percent of the total export value, animal products second, being 28.65 percent, textile fibres, third, being 12.43 percent, and bamboo, wood and fuel, fourth, being 8.41 percent. Speaking of individual items, live hogs occupied first place in exports, tung oil second, and egg products third. Accordingly, China under the communists continues to be a supplier of raw materials to foreign countries.

In the field of imports, high class consumer goods which were imported in large quantities before are now gradually disappearing. In their place are materials for industrial construction. Oils, fats, gums and waxes occupied the first place, being 37 percent of the total import value, chemicals and dyestuffs second, being 16 percent, food, beverages and vegetable, medicines third, being 14 percent, cotton and manufactures thereof fourth, being 11 percent. Speaking of individual items, lubricating oil occupied the first place among imports, cloth second, and pharmaceuticals third. Accordingly, China today is, as before, dependent on foreign industrial supplies but being a poor country had to forego the luxury of buying "unessential" consumer goods from abroad.

Foreign trade in Manchuria has registered an uninterrupted increase. Taking the average monthly foreign trade values in 1946 as the base (100), foreign trade index in 1947 for Northeast China was 436, in 1948, 1,434 and in the first half of 1949, 1,919. The import-export ratio was, in 1946, 78 to 22, in 1947, it was 70.25 to 29.75, and in 1948, it was 56.76 to 54.09. During the first half of 1949, the situation changed to one of export surplus, the import-export ratio being 45.91 to 54.09. These commodities imported consisted mainly of industrial raw materials, tools, industrial oils, fuel, pharmaceuticals, fertilizers and food-stuffs, while exports consisted in the main of industrial products and native products.

#### Organization of Traders

The holding of the first National Conference of Foreign Trade in Peking in July 1950 marked another step toward the development of China's foreign trade. One of the outcomes of the conference was the effort to readjust the relations between state enterprises and private concerns in the field of foreign trade and to place this relationship on the basis of co-operation and the division of labor. The scope of activities of both groups was demarcated somewhat as follows:

With regard to exports, state enterprises shall handle such commodities as soya beans, bristles and metals and ores exclusively, and a part of other principal export commodities such as

salt, coal, silk, tea, oil and fats and furs and skins. Private traders may handle some of the principal exports if they are financially able to be so, and all less important commodities, such as braids, medicines, rugs and other handicrafts. Private export firms shall also have the privilege of acting as agents for the government in exporting commodities which have been definitely assigned to state enterprises.

As to imports, state enterprises shall handle all the machinery, equipment and raw materials needed by government organizations, and a part of such requirements for private factories. Private import firms may handle a part of the equipment and raw materials needed by private factories, and also the whole or a part of other equipment and raw materials which are secondary in importance. Private firms shall also have the privilege of acting as agents for the government in importing commodities which have been definitely assigned to state enterprises.

Another outcome is the organization of exporters and importers of the various places according to different circumstances under three different forms, namely, Foreign Trade Research Institute, Guild Speciality Trade Sections and Combines, so as to facilitate the carrying through of the state foreign trade policy and the division and coordination of work between the state and private concerns.

The Foreign Trade Research Institute has its head office in Peking and branches in Shanghai, Tsingtao, Tientsin and Dairen. It acts very much like a consultant organ for both the state and private exporters and importers. Its function is to gather and analyse all pertinent facts about import and export commodities, such as demand and supply, price trends, consumers' preference, competitive situation, availability of substitutes, exchange control and government restrictions. Such studies should furnish valuable information from which both the state and private organizations might solve their problems and formulate their policies. Such will also enable exporters and importers to formulate their operational plan together and to avoid the blind competition among themselves, and to decide prices for the purchase and marketing of the commodities, which after being approved by the government should be observed by all.

The Foreign Trade Research Institute in Shanghai has already been formed. It has the following Speciality Trade Sections: Exports: Oil and Fat, Tea, Feathers, Hide and Skin, Menthol, Textile Industrial Products, Silk, Cereals and Seed cakes, Straw Hat, Casings, Lace, Bristles, Egg Products, Porcelain, Pharmaceuticals and Sundry Goods. Imports: Metals, Machine and Tools, Electric Appliances, Chemical

Raw Materials, Medicines, Rubber, Dyestuffs and Pigments, Gunny Sacks, Textile Fibres, Educational Instruments and Liquid Fuels. Besides these, there is a Sino-Japanese Trade Section.

It is thus clear that instead of permitting exporters and importers to pursue a *laissez faire* policy and engage in blind competition among themselves, the People's Government has now organized them into a solid body to plan and promote China's foreign trade together.

The same conference also tackled the problem of importers applying for foreign exchange, and the problem of concluding export and import contracts between the state and private concerns.

#### New Barter Trade Regulations

On December 8, 1950, the Administration of the Central People's Government promulgated a set of Provisional Regulations Governing the Control of Foreign Trade which were for the purpose of "implementation of control of foreign trade and the adoption of a protective trade policy," as provided in the Common Program.

Under these provisional regulations, both imported and exported commodities were divided into four categories. For imports: goods permitted to be imported, imports under collective purchasing, imports to be banned, and imports under special permits. For exports:— export items permitted to be exported, exports under collective sales, exports to be banned from exportation, and exports under special permits.

But the general trends of foreign trade policy of a nation usually follow closely the development of the international situation. Recently, it seems to us that the guiding principle of China's foreign trade is not so much to restrict imports and encourage exports as to gear exports by the volume of imports. Large imports and exports must come and go together. The purpose is to effect the balance of the import and export shipments.

On March 12, 1951, the Ministry of Trade of the Central People's Government promulgated another set of Provisional Regulations Governing the Control of Barter Trade with attached lists of goods for barter. Article 2 of these provisional regulations stipulates that the underlying principle for barter trade is that "import should precede export."

Article 3 stipulates that barter trade should be carried out in either one of the following forms, viz. direct barter, barter on account, link barter and simultaneous opening of letter of credit for import against that for export.

However, those who adopt the last form to carry out barter trade must obtain the prior approval of the Ministry of Trade. For link barter, the

merchants concerned must furnish guarantee to the effect that imports will be brought into China within a certain period after exports are effected. The link system is subject to suspension and revision at any time by the Ministry of Trade in order to avoid any undesirable effect.

Articles 4 and 5 state that both exports and imports are divided into three main categories as given in separate lists attached to these Regulations. But Articles 6 and 7 give the details for barter as follows: Articles given in Export List A may be bartered for imports given in Import List A. Articles given in Export List B may be bartered for those given in Import Lists A and B. Articles given in Export List C may be bartered for those given in Import Lists A, B and C. Barter for articles given in Export Lists A and B may only be done in the form of direct barter, barter on account or simultaneous opening of letter of credit for export and import. Link barter is confined to articles given in Export List C.

Article 9 states that barter trade aims at balancing import and export shipments. However, in case of difference, it must be settled through the Bank of China in accordance with these regulations for liquidation of barter trade.

The spirit of these regulations is positive, having as its aim the realization of interflow of imports and exports in the true sense of the word by developing foreign trade in both the number of transactions and in quantity of goods exchanged. These regulations stipulate that export and import trade should be balanced. It is therefore plain that any predominance of exports over imports or vice versa is to be avoided. To ensure equilibrium, registration and liquidation of barter transactions are to be effected through the banks which are to see that exports on barter basis are effected within the specified period after imports had first been concluded and similarly, for imports after exports had first been concluded.

With these safeguards, no misgivings need be harboured by either parties that a barter transaction would incur loss or is too one-sided. One of the features is that a liberal policy has been adopted in the compilation of the Import and Export Lists with 480 articles in the former and 263 in the latter. Out of these long lists of articles, only one article—jute bags—is put on the basis of centralized purchase, and seven articles—bristles, soya bean, wolfram, antimony, tin and iron, metal n.o.p.f.—on the basis of centralized marketing, leaving a very wide scope for the merchants to trade in barter.

Another feature is that different treatment is to be meted out for articles varying in demand and

urgency. In the Import List A are included imports that are immediately needed for the rehabilitation of China's economic reconstruction, and for such, the scope of barter covers the entire lists of exports. Goods listed in Export List C are those which must be exported to safeguard the interests of peasants and handcraftsmen. Therefore, the scope of barter for such goods cover with the entire field of imports.

An idea of the comprehensiveness of Import List A and Export List C may be gained by glancing over the numbers of articles contained in them—the former with 141 and the latter 138, thus affording merchants sufficient latitude and freedom of choice in each barter transaction.

As can easily be seen in these regulations, the principle of barter trade is mutual benefit. While it is admitted that it would be technically difficult to make the two sides of a barter transaction precisely equal in value, it must be ensured that the difference, if any, will be only fractional, which will be settled through liquidation.

In the past year, China concluded barter agreements with the Soviet Union, Poland, Czechoslovakia, East Germany and India.

## SHANGHAI EXPORTS IN 1950

The export of native products from Shanghai in 1950 was as follows:

**Menthol.**—Some 1,100,000 pounds were traded during the past year; shipments have been effected for 900,000 pounds. At the price of US\$8.50 per pound, the total value reached more than US\$7,650,000.

**Peppermint oil.**—A total of 300,000 pounds were exported, equivalent to US\$810,000 at the average price of US\$2.70 per pounds.

**Laces.**—Some US\$4,000,000 worth of laces were exported from Shanghai.

**Straw hats.**—Exports in 1950 included 120,000 pieces of buntal fibre hats and 800,000 pieces of hemp hats, totaling a value of US\$800,000.

**Hemp.**—The value of hemp exported amounted to some US\$300,000.

**Cereals, hill and ground products and others.**—These goods included more than 100 items, ranging from ham to garlic, fungus and others, and the total value of their export came to between US\$1,000,000 and US\$2,000,000.

**Medicinal herbs.**—Medicinal herbs exported from Shanghai mainly went to Hongkong and the South Seas countries and their export during the past year came to a value of around US\$800,000.

**Gallnuts.**—Export of this item was brisk, as it is one of the essential raw materials in the dyestuff industry. Chief buyers were Japan and the United States, followed by Britain, France, Belgium and Holland. The export of gallnuts from Shanghai in 1950 totalled some US\$500,000 worth.

**Cotton yarn.**—Altogether US\$1,800,000 worth of cotton yarn and cloth were exported from Shanghai during the past year. The export of yarn and cloth was suspended in September owing to growing demand from the domestic market.

**Tea.**—By the end of October, 1950, tea exported from Shanghai totalled 5,383,265.50 kilograms, totalling a value of US\$4,243,521 £37,620, and HK\$1,056,968. Despite the large quantities exported, supply was still insufficient to cover demand. According to estimates, the total world annual consumption is around 18,000,000 kilograms, including 2,500,000 kgs. in the United States, 1,000,000 kgs. in the North American continent, 13,000,000 kgs. in North Africa, 500,000 kgs. in Egypt, 250,000 kgs. in western Germany, 500,000 kgs. in Holland, and 500,000 kgs. in West and South Africa.

**Tung oil.**—Export of tung oil from Shanghai totalled a value of US\$7,198,315 during the first eight months of the past year.

**Vegetable oil.**—The export of other kinds of vegetable oil from Shanghai from January to August totalled a value of US\$3,225,085.

**Groundnuts.**—Groundnuts exported from Shanghai in 1950 were valued at US\$11,366,535.

## OUTLINE OF PHILIPPINE ECONOMY

### GENERAL INFORMATION Areas and Boundaries

The Republic of the Philippines is composed of over 7,000 islands with a total land area of approximately 115,600 square miles. Eleven islands have areas in excess of 1,000 square miles and account for about 94 percent of the land. Luzon in the north and Mindanao in the south are the largest, having areas of 40,420 and 36,537 square miles, respectively. The other nine and their areas, in square miles, are: Samar, 5,050; Negros, 4,905; Palawan, 4,550; Panay, 4,446; Mindoro, 3,758; Leyte, 2,785; Cebu, 1,578; Bohol, 1,492; and Masbate, 1,262. Lying southeast of the continent of Asia, the archipelago extends 1,152 statute miles north to south, and 688 miles east to west at the widest point. The southernmost island, Saluag—some 30 miles east of Borneo—is about 4°35' north of the Equator; the northernmost, Y'Ami Island—65 miles south of Formosa—is about 27°7' north longitude.

### Natural Regional Divisions

The Philippines may be divided into four principal areas—Luzon and Mindoro to the north; the central Visayan island; Mindanao and Sulu to the south; and Palawan somewhat removed to the west of the main configuration. While generally mountainous, almost every variety of topography can be found, including low marshlands, coastal plains, plateaus, extensive valleys, and elevations ranging from a foot or two above sea level to peaks nearly 10,000 feet high. Much of the country is tropical forest land but productive coastal plains are well distributed and there are four large river valleys.

(1) Northern Luzon consists of a fertile valley averaging 40 miles in width, which runs over 120 miles north and south and is bounded on the east by the Sierra Mountains and on the west by mountains of the Cordillera Central. Flowing through the region, the Cagayan River with its tributaries drains an area of about 10,000 square miles. In Mountain Province are the Ifugao mountainside rice terraces, 1,200 to 1,500 years old and rated as remarkable feats of primitive engineering. Central Luzon is a plain about 4,000 square miles in area, extending north from Manila Bay to the Caraballo Mountains which separate the region from the Cagayan Valley. The Zambales Mountains lie west of the plain, with an extension of the Sierra Madres to the east. The area is drained by the Pampanga River flowing south to Manila Bay and by the Ango which flows north into Lingayen Gulf. Southern Luzon is largely of volcanic origin, with rolling hills, ridges, and short valleys. In Albay Province is the famous Mayon volcano, about 4,000 feet high and with a cone regarded among the most perfect in the world. Mindoro,

directly south of Luzon, is high and mountainous and consists mainly of forest land. There is a fairly extensive coastal plain to the east, however, and a smaller one to the south. The island has not yet been fully explored.

(2) The central group of islands, called the Visayas, is generally mountainous. Most important of the group are Panay, Cebu, Negros, Masbate, Samar, Leyte, and Bohol. Panay has the greatest area of level or rolling land; Cebu, the least. A relatively large central plain runs north and south on Panay, while Cebu, smallest of the entire group, has steep hills and ridges through the center and plains along the coast. There are highly cultivated level areas on the north and northwest of Negros. Masbate, Samar, and Bohol are characterized by low mountains, plateaus, and hills. On Leyte, mountain ranges run north and south with small parallel valleys to the east and west in the northern part of the island. There are no large rivers in the Visayas. Eastward of Samar by some 50 miles and extending south beyond Mindanao occurs the Philippine Deep. This outstanding oceanographic feature is a trough or fault in the sea bottom about 35,000 feet deep, the greatest known depth in all the oceans.

(3) The large island of Mindanao includes the mainland and Zamboanga Peninsula stretching southeast toward Borneo, with which it is connected by a submarine plateau supporting numerous small islands forming the Sulu Archipelago. Along the east coast of Mindanao are the Diuata Mountains and to the west, the Cotabato Valley and the Agusan River Valley. The rich Cotabato Valley—covering some 18,000 square miles of land and averaging 30 miles in width—is the largest agricultural region in the Philippines. It is drained by the Rio Grande de Mindanao, which empties into Ilana Bay. The Agusan River Valley is approximately 93 miles long and averages 17 miles in width. Much of the valley is marshland particularly near the center, where four streams join to form the Agusan River flowing north into Butuan Bay. To the south in Davao Province is Mount Apo with an elevation of 9,690 feet, the highest mountain in the country. The Zamboanga district of Mindanao consists of a long, narrow, mountainous peninsula with high ranges to the northeast. Valleys are scattered throughout the peninsula and a brief coastal plain occurs in the southernmost area.

(4) Palawan, an elongated island, appears to be the crest of a submerged mountain range. Coastal plains are little developed and the area is almost completely covered with tropical forests. On the island is an interesting natural phenomenon, an underground river several miles long and partially navigable.

**Climate**

The climate is fundamentally tropical, characterized by continuous heat, uniformly high humidity, and abundant precipitation. In the Manila area the annual mean of the daily maximum temperature is about 89°F; the mean minimum temperature, about 73°F; and the mean annual relative humidity, 80 percent. The average yearly rainfall is 82.23 inches. Generally speaking, in this area, the year may be divided into two pronounced periods, the dry season from November to June and the rainy season from July to November. December, January, and February are the most pleasant months, with clear, sunny days, and a mean daily temperature of about 78°F. April and May are the hottest months, with a mean daily temperature in the middle 80's although there are cooling breezes during some hours of the day.

While winds are normally light to moderate, occasional welldeveloped tropical cyclones, known locally as typhoons or baguios, cause winds of hurricane force. These typhoons occur generally from July to November, but have been known as early as April and as late as December. Considerable destruction to crops often results, but the Manila area itself is not frequently affected.

In Baguio City, the so-called summer capital, which is 5,000 feet above sea level, the annual mean of the daily maximum temperature is 73.4°F; while the mean of the daily minimum temperature is 58.8°F. Average yearly rainfall is 178.7 inches.

**Population**

The population is 19,234,180, according to preliminary returns of the census of October 1, 1948, an increase of approximately 3,230,000 over 1939 census figures. About half of the population is centered on the island of Luzon with greatest density in the Manila area, which is the business, industrial, and cultural center of the country. Other densely populated areas are Panay, Cebu, Bohol, and Leyte. The populations of Mindoro, Samar, Masbate, Palawan, and most of Mindanao are less concentrated.

Native Filipinos are predominately of Malay-Indonesian racial stock and are divided into numerous groups having distinctive customs and individual languages. Chief among the groups are the Tagalogs (central and southern Luzon), Visayans (central islands), and Ilocanos (northern Luzon). There are also considerable numbers of mestizos (half-Filipinos), resulting from intermarriage of natives with Chinese, Spaniards, some Americans, and a few Japanese.

The foreign population of the Philippines is estimated at over 200,000, of whom three-fourths or more are Chinese and some 10,000, exclusive of members of the armed

forces, are citizens of the United States. Additionally, there are several thousand Europeans.

Over two-thirds of the gainfully employed natives are engaged in farming. Most foreigners, particularly Chinese, are concerned with domestic and foreign trade. Some foreigners, however, operate manufacturing establishments, mines, and public utilities or other service organizations, while a few maintain large plantation-type estates called haciendas, devoted principally to cultivation of sugarcane.

Approximately 90 percent of the inhabitants are Christians, chiefly Roman Catholics; some 5 percent are Mohammedans. The others are reported in the Philippine census as "pagans and persons not belonging to any religious group." The Mohammedans live in Mindanao, in the Sulu Archipelago, and on the island of Palawan, while "pagan" tribes inhabit the mountainous regions of interior Luzon.

**Language**

English and Spanish are the official languages. While English is spoken with fluency by no more than a quarter of the total population, its use is widespread throughout the islands. It is the language of instruction in all schools, and virtually the sole language of government, trade, and industry. Books, newspapers, and journals of general circulation are printed in English. Spanish is spoken by only 3 percent of the people, chiefly in the Manila area. Tagalog, most highly developed of the native tongues, is the national language of the Philippines. It is spoken by about 3,000,000 people in Manila and south central Luzon, plus another million scattered throughout the country.

**Education**

During the 1948-49 school year, 21,105 schools operated in the Philippines, a 59-percent increase over 1940-41. Of the total, 142 were kindergartens; 19,133 were elementary schools; 1,103, secondary; 309, collegiate; and 418, special vocational. Except for elementary schools, most institutions were privately run, exclusively so in the case of kindergartens and vocational schools.

Enrollment for the year was reported as 4,867,934 with 0.2 percent of the students in kindergarten; 87.1 percent in elementary schools; 9.5 percent in secondary schools; 2.7 percent in colleges; and 0.5 percent in special vocational institutions. In 1940-41 enrollment was 2,207,065.

Literacy in 1948 among persons 10 years old and over was estimated at 48.5 percent, approximately the same as in 1918; in 1903 literacy was only 20.2 percent.

**Form of Government**

Since July 4, 1946, the Philippines has been a representative republic, with a constitution patterned after that

of the United States and recognizing the sovereignty of the people. The Bill of Rights, however, does not provide for trial by jury. Executive, legislative, and judicial powers are separate. The Central Government consists of a President, Vice-President, and a bicameral Congress, all elected through universal suffrage. The President is assisted by an appointive cabinet of the 12 heads of the various Government Departments. The judiciary consists of a Supreme Court, a Court of Appeals, and lower courts. The President appoints all justices and judges.

**System of Weights and Measures**

The official system of weights and measures is the metric. American designations are used, however, in the lumber industry and in the engineering and construction fields. Native weights and measures widely employed include the picul (139 pound), for domestic wholesale transactions in sugar, fibers, and corn, and the cavan, a common measure for rice and corn.

**PRODUCTION****Agriculture**

The Philippines is primarily an agricultural country and crop raisers, principally, comprise the two-thirds or more of the Republic's gainfully employed workers who are engaged in farming. Out of a total of some 30,000,000 hectares of land, approximately 7,000,000 are in farms, and about 4,000,000 are under cultivation (hectare equals 2.471 acres). Although varying in size in different localities, depending on utilization and type of tenure, most Philippine farms are small, nearly half having a cultivated area of about 2 hectares. Notable exceptions are large landed estates, many of which were founded by grant during the Spanish occupation, and holdings of corporations. In general, soils are not particularly fertile. Methods of cultivation are simple to primitive; much labor is done by hand; and a very high percentage of farm draft power is supplied by work animals. Large amounts of any kinds of fertilizers are rarely used. Irrigation is becoming more widespread, but is most used in the central Luzon rice bowl.

Total output of raw and semimanufactured agricultural products in 1949 amounted to an estimated 5,900,000 metric tons, valued at over 1,500,000,000 pesos. This includes yields of the most important subsistence crops grown in the Philippines—rice, corn, and sweet potatoes—and of the outstanding commercial crops—sugarcane, coconuts, abaca, and tobacco. Sugarcane, abaca, and tobacco production still remains considerably below pre-war levels because of dislocations due to war and, in the case of tobacco, also to international exchange problems.

Rice, chief item in the Philippine diet, is the most extensively cultivated crop, with central Luzon the principal

growing area. Not quite enough rice, however, is produced normally to satisfy domestic requirements. The 1948-49 crop, harvested from 2,491,290 hectares, was estimated at 56,620,200 cavans of palay (rough rice), yielding 1,489,790 metric tons of milled rice, an all-time record. (Cavan of rough rice, which equals 44 kilograms, about 97 pounds, is the equivalent of 28 kilograms, about 62 pounds, of cleaned rice.) The value of the crop was reported to be 735,000,000 pesos. To supplement local production, 145,557 tons of rice were imported. It is expected that the 1949-50 harvest will establish another new record, advancing the country well along the way toward its goal of self-sufficiency in this foodstuff. Prewar annual production averaged 49,520,610 cavans of palay, or about 1,418,290 metric tons of milled rice.

Corn is second in importance as a food crop and is favored above rice in a few Provinces. Principal areas are Cebu and Negros in the Visayas, and Mindanao. In 1949, 534,070 metric tons of corn were harvested from 866,200 hectares, according to official estimates. Value of the harvest was tentatively established at 106,900,000 pesos. Prewar annual production averaged 537,040 tons.

Of all root crops, sweet potatoes rank first in popularity and in volume of output. Cultivation centers in northern Luzon. Official reports on production in 1949 vary, but output is estimated at 428,987 metric tons. The area planted was approximately 116,000 hectares.

The sugar industry, which led all others producing for export before the war, has made outstanding progress toward full rehabilitation. In the 1948-49 season, the cane crop yielded 729,427 short tons of centrifugal sugar, compared with 398,113 tons in 1947-48 and 84,200 in 1946-47. Value of the centrifugal sugar was estimated at about 100,000,000 pesos. Some 535,108 tons were available for export and all went to the United States. Total area planted in cane was approximately 128,960 hectares, with heaviest plantings in the traditional producing regions of Negros and central Luzon. Occidental Negros is the heart of the industry. The 1949-50 crop is forecast at about 800,000 short tons of centrifugal sugar, with possibly 600,000 tons available for export. Prior to the war, annual output averaged slightly less than 1,000,000 short tons a year, and approximately 900,000 tons, valued at some \$100,000,000 were shipped each year to the United States.

In the absence of full rehabilitation of the sugar industry, copra has occupied first place among Philippine export crops since the war. Coconut acreage was least affected by destruction during hostilities and output in 1947 reached the record high of 998,000

metric tons. Production has declined each year since 1947, but remains above prewar levels. In 1949, output was estimated at about 700,000 metric tons, valued at 218,900,000 pesos. The area planted in coconut trees was 965,500 hectares. Prewar annual production averaged somewhat over 580,000 metric tons.

Other coconut products, such as coconut oil and desiccated coconut, are important manufactures of the Philippine coconut industry. Coconut oil output, however, has not regained its prewar position, and in 1949 was estimated at only 102,300 metric tons, less than half the normal level. No estimate is available for value. Exports were 64,147 tons. To regain the former export position of 165,000 metric tons annually and supply domestic needs, it is believed that a production capacity of 240,000 tons would be required.

Desiccated coconut, on the other hand, is being manufactured at some 58 percent above the prewar rate. Output in 1949 was estimated at 58,760 metric tons, valued at over 41,000,000 pesos. Shipments amounted to 56,067 tons.

Recovery of the abaca industry has been slow owing to inadequate financial support for planters, poor management, and declines in yields among old and diseased plants. Excessive stripping also has been a deterrent. Production in 1949 was reported as 74,510 metric tons, a decline of 25 percent compared with 1948 and less than half the prewar annual average. Value of the 1949 crop was estimated at about 48,000,000 pesos. Exports totaled 58,215 metric tons. Area planted was approximately 282,700 hectares. Principal growing regions for abaca are southern Luzon and the Davao area of Mindanao. With long-term aid extended to abaca producers in 1949, it is believed that prewar production levels, averaging 170,000 metric tons annually, may be achieved by 1954.

Cordage made from abaca and maguey is manufactured by two plants in Manila, which had a combined total output of 7,500 to 8,000 metric tons in 1949. About 90 percent of the cordage was made from abaca fiber.

Tobacco planting is progressing steadily in the traditional tobacco-growing centers in the Cagayan Valley and central Luzon. The 1948-49 crop, harvested from 38,740 hectares, yielded approximately 21,920 metric tons of leaf, about 28 percent more than the 1947-48 crop. Value of the 1948-49 leaf production was estimated at 10,800,000 pesos. Preliminary forecasts predict that the 1949-50 national harvest may reach 24,000 tons of leaf, an increase of some 10 percent, but about 30 percent under the prewar annual average of 35,045 metric tons. Further substantial restoration of the tobacco industry

seems fairly well assured, with a heavy market for local manufactures anticipated as a result of sharp cuts in imports of tobacco products imposed by stringent import control measures. Complete recovery, however, appears to remain dependent on demand for Philippine leaf and cigars. Chief deterrents to increased foreign sales are lack of foreign exchange on the part of potential customers and high prices due to increased production costs. Exports of tobacco products in 1949 amounted to 5,088 tons of leaf, 1,600,000 cigars, and 600,000 cigarettes. Total production of cigars in Government licensed factories was estimated at 92,200,000 units, and of cigarettes, 1,830,000,000. Prewar annual average output of cigars was 300,000,000 and of cigarettes, 3,260,000,000, and exports amounted to 202,000,000 and 37,000,000, respectively.

#### Forestry

The forest area of the Philippines is estimated at over 43,000,000 acres, or nearly 60 percent of the total land area. Virtually all forest lands, of which 90 percent are commercial forests, are public domain administered by the Bureau of Forestry. Total commercial timber stand is approximately 465,000 million board feet and consists of some 3,000 species of trees, about 60 of which are marketed in quantity. The lauan family constitutes 75 percent of the total stand and 90 percent of total output by volume. Leading Provinces in which timber is cut are Negros Occidental, Negros Island in the Visayas; Zamboanga, Lanao, Misamis Oriental, and Davao in Mindanao; and Mountain Province and the Camarines Provinces in Luzon.

Timber cuttings in 1949 were the largest in the history of the Philippines, totaling slightly over 1 billion board feet. Lumber production also reached an all-time high, of about 500 million board feet. Most of the output was consumed locally for construction purposes, with only 43 million board feet of logs, timber, and sawed lumber shipped abroad. Prior to the war exports amounted to 175 million board feet annually.

#### Fisheries

Territorial waters of the Philippines include about 705,000 square statute miles of marine waters containing, in abundant quantities, some 2,000 varieties of fish. Additionally, there are over 70,000 hectares of fishponds maintained inland. While fish is second only to rice in the Philippine diet and large quantities are consumed throughout the country, the fishing industry has never been developed on a scientific scale and the commercial catch is relatively small. Advances, however, have been made, and total output of fish products in 1949 was reported as 238,000 metric tons, compared with about 170,000 tons in 1940. Further expansion of the commercial fishing

industry is actively under way and by 1954 an increase of 60 percent in production is expected. Total annual catch, including noncommercial catches, may be as high as 950,000 tons, valued at over 100,000,000 pesos.

Excellent fishing grounds are widely scattered throughout the islands; waters around the Manila Bay area and at the southern end of the Sulu archipelago are particularly well stocked.

#### Mining

The Philippines possesses extensive mineral wealth in gold and base metals of substantial importance to the economy of the country. Total production of all metallic minerals in 1949 was valued at 37,000,000 pesos.

During the year, eight gold mines were in operation and their combined output totaled 247,844 ounces, valued at 20,000,000 pesos at the legal price of 70 pesos per ounce. This represents a considerable gain over 1948 when production amounted to 209,225 ounces valued at 14,500,000 pesos, and over 1947, when output was worth only 4,000,000 pesos. Before the war, the Philippines ranked among major world producers of gold, with an annual production valued at approximately 60,000,000 pesos. Virtually all the industry's mechanical equipment was destroyed during hostilities, and rehabilitation, while satisfactory, has been retarded by financial considerations and soaring operation costs. To enable mine operators to continue in business despite handicaps, the Government allows 75 percent of production to be sold on the free market. The remaining 25 percent must be sold to the Central Bank at the legal price of 70 pesos per ounce. The most important gold district is Mountain Province in northern Luzon.

Principal base metals mined, in order of value of output, are chromite, iron ore, copper, and manganese ore. Total production of all base metals in 1949 was valued at about 17,000,000 pesos.

Chrome deposits in Zambales Province, western Luzon—main production center—are among the most extensive in the world, estimates placing reserves at from 10,000,000 to 15,000,000 tons. Production of chromite in 1949 was reported as 246,744 metric tons valued at 5,900,000 pesos. Of the total, 165,340 tons were refractory grade valued at 3,300,000 pesos and 81,404 tons were metallurgical grade valued at 2,600,000 pesos. This represents a several-fold increase over output in prewar years. Operations had to be curtailed at the end of 1949, however, because of reduced United States buying.

No complete and accurate survey of Philippine iron ore deposits has ever been made, but they are known to be extensive. Those held by the Govern-

ment in Surigao Province, northern Mindanao, alone are estimated at 500,000,000 tons. Heaviest production is from more limited but higher grade deposits than those in Surigao, however, and is concentrated in Camarines Norte Province (southern Luzon), Samar, and Marinduque. In 1949, output of the only two mines in operation totaled 370,172 metric tons, valued at 5,400,000 pesos. Prior to the war annual production averaged about a million tons.

So far as is known no large deposits of copper ore exist in the Philippines. The ore does occur in many districts, however, especially in the vicinity of Mankayan in Mountain Province, northern Luzon, where the largest copper mine operates; on Rapu Rapu Island, Albay Province, east of the mainland of southern Luzon; and in Ilocos Norte Province, northern Luzon. Milling of concentrates in 1949 was chiefly by the largest and only rehabilitated copper mine, and totaled about 26,000 metric tons valued at 4,600,000 pesos; small amounts of copper concentrates were produced also in conjunction with gold-mining operations. Output of concentrates in 1940 totaled 7,220 metric tons. There was no significant production prior to the late 30's.

Reserves of manganese are widely scattered but principal production areas are Siquijor Island south of Cebu, and Busuanga Island south of Mindanao. Metal content is relatively high, averaging 50 percent. Output in 1949 amounted to 26,238 metric tons valued at 944,000 pesos, or about 20 percent of prewar production capacity.

#### Industry

Industrial development in the Philippines is relatively insignificant and limited chiefly to processing of raw materials for export and the manufacture of some products primarily for the domestic market. Extensive industrialization has been widely discussed since the war, but so far ambitious plans outlined in 1947 and 1948 have not materialized. Such programs are dependent on large scale capital investment, and a number of deterrents were evident in 1949. Unrest in central Luzon, particularly in the Manila area, was one of the major disquieting elements. A strong nationalistic tendency given voice repeatedly by Government officials was another. Finally, protection of local industry offered by import controls was offset by the imposition of exchange controls limiting remittances abroad of capital, profits, and dividends. Many firms already firmly established, moreover, retrenched because of the factors mentioned, and the general outlook at the end of 1949 was not especially encouraging.

Aside from the processing of sugar, coconut oil, fibers, lumber, and minerals for export, leading industries customarily producing primarily for

export markets include the manufacture of desiccated coconut, cordage, cigars and cigarettes and the canning of pineapples. Local entities also produce for foreign markets buntal hats, pearl buttons, and embroideries.

Industries manufacturing chiefly for domestic consumption include the Government's textile mill and cement plant, sugar refineries, rice mills, soft drink bottling plants, distilleries, shoe factories, cosmetic and soap factories, and vegetable lard and margarine factories. There is also some manufacture for local use of fluorescent lamps and incandescent bulbs, architectural metal products, tiles and wallboard, nails, Kraft paper, and plastics.

Output of industries producing the major export products has been mentioned earlier. Additionally, there is considerable production of canned pineapple. Production and exports of canned pineapple in 1949 totaled 46,086 metric tons, compared with 18,775 tons in 1940, the prewar high. There is but one factory located in Mindanao where the fruit is cultivated. Manufacturing production statistics for principal industries supplying the local market are incomplete. The Government's cement plant has a theoretical capacity of 6,000,000 bags of cement a year, approximately 1,500,000 barrels, and a privately owned concern has a capacity of 4,000 bags a day. About 950,000 bags of refined sugar weighing 100 pounds each were produced in 1949 by the Government's refinery and a private company. Large quantities of soft drinks were bottled, and the principal bottler also established a plant with a production capacity of 1,500 gross beer and soft drink bottles per day and 500,000 cartons per month. In October 1949, the Government completed a paper and bag plant with a rated capacity of 20 metric tons of Kraft paper and 40,000 bags a day. Rubber-soled shoes were reportedly manufactured during the year at the daily rate of 20,000 pairs. Opened in recent months was a plant with an initial capacity of 625,000 fluorescent tubes and 2,500,000 incandescent bulbs annually. It is the first factory of its kind in the country.

#### TRADING POTENTIALS

##### Business Activity Indicators

Estimated national income in 1948 was 4,218,000,000 pesos, or a per capita income of 219.29 pesos. Wages for skilled and unskilled labor in Manila averaged 7.5 and 4.7 pesos per day, respectively. The average daily agricultural wage paid in the Provinces was less than 2 pesos. On a nationwide basis the average salary paid in 1948 to employees in industry and business was estimated at less than 150 pesos per month.

Reliable estimates placed the net national product for 1948 at 3,660,000,000 pesos, compared with 3,370,000,000

pesos in 1947 and 2,760,000,000 in 1946. Of the gross national product of 4,069,-000,000 pesos in 1948, contributions by industry groups were, in millions of pesos, as follows: Agriculture, live-stock, forest and fisheries, 2,630; industries, 669; mining, 40; transportation and communications, 98; government and education, 199; all other, 433.

Before the war approximately half of the families in the Philippines received annual incomes, largely in kind, of about 125 pesos a family. This low-income group consists chiefly of agricultural workers. A very small fraction of the population—estimated by some authorities at not over 1 percent, and composed of business and professional men, landlords, and skilled laborers—receives approximately one-third of the national income.

Income tax returns filed in the fiscal year ended June 30, 1948, totaled 194,077, of which 4,519 were filed by corporations and partnership entities, and 189,558 by individuals and single-proprietor entities. In the 1946-47 fiscal year 70 percent of the 1,973 corporation returns filed were for incomes of less than 10,000 pesos; 16 percent for incomes in the 10,000-to-100,000-peso group, and 12 percent in the group receiving incomes ranging from 100,000 to 1,000,000 pesos. Two percent of the returns were for incomes of over 1,000,000 pesos.

Individuals and single-proprietor entities filed 165,949 returns in 1946-47, of which 37 percent were for incomes of less than 2,000 pesos; and 37 percent for incomes in the 2,000- to 4,000-peso group. Returns for incomes ranging from 4,000 to 6,000 pesos accounted for 22 percent and those for incomes of over 6,000 pesos, 4 percent.

Total net income of corporations in 1948 aggregated 236,421,000 pesos and net income of partnership entities, 8,816,000 pesos.

Postwar statistics for retail sales are not available, but the volume of business is known to be substantially greater than before the war. In 1938 gross receipts from retail sales were reported at 509,617,700 pesos. On the basis of retail business in imported items and locally produced foodstuffs, postwar retail sales have been estimated at an annual rate of over a billion pesos.

Bank checks cleared in 1949 totaled 4,576,880,000 pesos; debits aggregated 8,669,772,000 pesos. Notes and coins in circulation at the end of the year totaled 572,000,000 pesos, compared with an average prewar circulation of 200,000,000 pesos.

Construction indices in the Manila area, computed on value of building permits issued in 1941 and since the war, and based on 1937 as 100, were as follows: 1941, 76; 1946, 132; 1947, 335; 1948, 350; and 1949, 305. Since

postwar construction costs have been considerably higher than in the prewar period, the indices were adjusted in accordance with indices of construction materials, in order to be comparable with the prewar volume of activity. Included were additions, alterations and repairs, as well as reconstruction of damaged buildings with war-damage claims in the postwar years. Building construction in Manila was valued at 60,200,000 pesos in 1949, compared with 82,800,000 pesos in 1948 when reconstruction activities were somewhat greater. It should be noted that construction in Manila represents but a fraction of construction for the country as a whole.

Motor vehicle registrations in 1949 totaled 91,625, of which 38,100 were for passenger cars, 51,790 for trucks, 675 for trailers, and 1,060 for motorcycles. Approximately 16,000 telephones were in use early in 1950, with demand greatly in excess of service available.

The total number of radio receiving sets registered as of the close of 1949 was 79,385. It was estimated, however, that registrations represented only two-thirds of the actual radio receivers in use. Approximately 40 percent were battery-powered. About 60 percent of all radios were in the Manila area. Demand for refrigerators and other electrical appliances expanded greatly following the war, and on the whole has been considerably greater than the availability of supplies.

Newspaper and magazine circulation, including oversea publications, was estimated at 1,650,000 early in 1950. Motion picture box-office receipts are currently estimated at the rate of 45,000,000 pesos annually, of which approximately 30,000,000 pesos represent receipts from American films.

At the end of 1949 electric power was available in 275 of the 363 municipalities which were supplied with electricity before the war. In the Manila area and surrounding communities supplied by the Manila Electric Co., 167,000 consumers used 420,000,000 kw.—hr. in 1949. In 1941 consumers numbered 126,823, using 181,000,000 kw.—hr. Total generating capacity of the integrated system of the Manila Electric Co. amounted to 92,000 kw. at the close of 1949, or double that of 1941. Increased demand continued, however, to exceed the available supply. An additional 50,000-kw. capacity power station near Manila was scheduled for operation in 1950.

#### Local Customs Affecting Sales

More than 90 percent of the people are Christians, and for this predominant group the trend in consumption habits for several decades has been toward American styles and customs. During the war the tendency was accentuated by the presence of American Armed Forces. Although the

Philippine market is generally referred to as a price market, Filipinos probably are more likely to take brands into consideration when shopping than are other people of a comparable economic level. American brands enjoy a preference in many lines, and the demand for cigarettes, toilet articles, pharmaceuticals, home appliances, and many clothing items shows the effects of the considerable Americanization in tastes.

The trend toward American habits of consumption applies also to the Chinese element, entrenched as it has been for many years in the commercial life of the country, especially in the retail trade. Among the Mohammedans the adoption of American buying habits is less marked.

The cereal diet of all Filipinos is rice and corn, supplemented by cassava, sweet potatoes, and other root crops. Corn is preferred to rice in the Visayan Island and in northern Mindanao, while in urban centers there is a marked tendency to substitute wheat bread for a part of the rice and corn diet. Meat consumption is limited; in general fish, fowl, and pork hold a definite preference over beef, except for Mohammedans who eat no pork. Lamb, mutton, and veal are not in general demand.

Housing and clothing requirements in the Philippines are influenced most strongly by the tropical climate and heavy rainfall during part of the year.

#### MARKETING FACTORS

##### Principal Commercial Cities

Manila, the capital, is also the business and financial center. It is by far the most important port, normally handling nearly 90 percent of the import trade as well as the largest proportion of exports. The Greater Manila area includes three chartered cities, Manila, Quezon, and Rizal, of which the combined population was 1,180,610, according to the census taken in October 1948. Manila proper had a population of 983,905. As a center of distribution Manila serves primarily central and southern Luzon. Most of the principal importers have head offices in the capital city.

Cebu, with a population of 167,500, is the second largest city and the oldest European settlement in the Philippines, having been founded in 1565. It is the second largest port for imports and the principal distributing center for the Visayan Islands and northern Mindanao. At present the chief shipping point for copra, Cebu also ranks second as an export center.

Iloilo has a population of 110,120 and is the business center and main port of the Visayan island of Panay. It also is the chief business center for the Province of Occidental Negros in the nearby island of Negros. Panay and Negros are important sugar areas, and because of its trade in sugar Iloilo

ranks third after Cebu as a port of export shipment. Bacolod, on Negros Island across the Guimaras Straits from Iloilo, also owes its commercial importance to sugar. With a population of 101,400, Bacolod is regarded as one of the most prosperous of the small cities in the Philippines.

Davao is the center of the rich agricultural area of Davao Province in Mindanao, and the chief port of the large southern island. In addition to having rich coconut plantations and extensive forest, Davao Province is an important abaca-producing region. The port city of Davao has a population of 111,280.

Zamboanga is the port and trading center for southwestern Mindanao and the northern part of Sulu Archipelago. The city claims the largest land area of any city in the world, its chartered limits totalling 1,124 square miles, or about the area of Rhode Island. Zamboanga's population was reported in the 1948 census as 103,320. Jolo, on the island of Sulu and with a population of 18,280, is important as a trading center for the entire Sulu Archipelago, which lies southwest of Mindanao.

#### Marketing Channels

Postwar data on the number of importers, exporters, retailers, wholesalers, and manufacturers' agents are not available. A country-wide survey was undertaken by the Bureau of the Census and Statistics during the first half of 1950, but it was not expected that statistics would be completed for several months. With very few exceptions, every firm which imports for nation-wide distribution has its headquarters in Manila. Exporters usually conduct much of their business from Manila, but often have main or branch offices in the port city from which shipments chiefly are made. Manufacturers' agents, nearly all of whom are located in Manila, do the largest part of their business on an indent basis. The majority carry no stocks, although a number of them import some goods for their own account. Most wholesalers in the Philippines, unlike those in the United States, conduct a retail business as well, and frequently do much of their own importing. Specialization by product is practiced much less than in the United States. The leading wholesalers are located in Manila and three or four other large cities. It has been estimated that there are over 300,000 retailers in the Philippines, an increase of at least a quarter over the prewar number. Among these, however, are many "sari sari" stores, little larger than newsstands in the United States. They sell basic food items, soap, and miscellaneous goods in constant demand. Many of the retail outlets, including some modern, American-style urban stores, are owned by Chinese. Two types of listings of businessmen in the Philippines—(1) importers and dealers

## ECONOMIC REPORT ON INDONESIA

By  
ERIC POWELL  
(Djakarta)

#### Indonesians in Industry

It is probable that practically all mining and large scale industry will remain in European hands for some considerable time, but it is expected that the Indonesian population will play an increasingly important part in small scale and home industry. A considerable proportion of the industrial production of the goods required for native consumption could be derived from individually or co-operatively organised small scale factory industries. The Chinese already have a strong lead in this field.

#### Indonesians in Business

The Government of Indonesia is largely contributing to increased participation of Indonesians in the import and export trade of the country. Indonesian "newcomers" are receiving easy credits and special quotas to establish themselves in the shortest possible time as importers and exporters. But the building up of an official organisation requires not only capital and facilities, but experienced and reliable men. Particularly in this post-war world with all its restriction on international trade, lack of experience may well lead to speedy collapse or to subordination to some foreign agency.

and (2) manufacturers and exporters, both types classified by commodity—are available. Copies may be purchased from the Intelligence and Services Division, Office of International Trade, Department of Commerce, Washington 25, D. C., or from the Department's Field Offices, for \$1 per commodity list.

#### Aids to Distribution

A number of advertising agencies have been established since the war, some of which are known to give specialized, competent service. A list of such agencies is available from the Department of Commerce sources indicated above. There are three credit reporting agencies and 12 commercial banks offering commercial credit service. Warehousing facilities, although largely destroyed during the war, have been rapidly rehabilitated and are now considered to be generally adequate. Leading chambers of commerce in Manila include the American Chamber of Commerce, the Chamber of Commerce of the Philippines, the Manila Chamber of Commerce, and the Chinese Chamber of Commerce. Outside of Manila, chambers are located at Cebu, Iloilo, Davao, Zamboanga and Baguio, as well as at Dagupan and Daet in central and eastern Luzon, respectively, and at Ozamis City in northern Mindanao.

There are already signs of Indonesian firms, not being able to compete on a profitable basis or fill their quota, accepting the assistance of foreign firms. It is, of course, possible that such help is coming forward on a basis of mutual benefit, but in matters of international commerce unselfish assistance is a rare quality. Therefore, the possibility is not remote that inexperienced Indonesian firms seeking assistance abroad fall into the hands of individuals out to make easy gains with complete disregard of the interests of their Indonesian partners. Evidence of such unwelcome moves and developments has not only been found in such a spectacular instance as the illfated Fox contract but also in minor transactions.

Essential for the political independence of Indonesia will be that a strong, stable and responsible Government is created, able to prevent economic subjugation to foreign interest. By trying to make Indonesian organisations participate in the trade and industry of their country, every effort is being made to promote a sense of responsibility among Indonesian merchants and to give them experience. It will be up to their own dexterity and

#### TRADE PRACTICES

##### Customary Terms of Sale

Before the war merchandise generally was imported on the basis of 60- to 90-day drafts, documents against payment. Banks normally released documents against trust receipt to customers with satisfactory credit standing. Following the war most imports were made under confirmed letter of credit until 1947, when there was a noticeable trend toward the prewar practice in cases where the customer was well known to the exporter abroad. Since the imposition of import and exchange controls, most imports again are financed on a letter-of-credit basis. Quotations are preferred in pesos or dollars, on a c.i.f. basis. Sales terms in domestic trade vary but sales generally are for cash or on open account.

##### Established Customs

The language of correspondence is English, and American nomenclature rather than British is most often used. Old Spanish firms carry on correspondence in Spanish with Spanish-speaking countries, but they do not expect United States firms to use Spanish in correspondence. Chinese, British, Swiss, and Spanish firms follow the customs of their own countries to varying extents—Chinese firms perhaps more than the others—but American practices are generally acceptable.

skill to build up a sound trade in the interest of Indonesia as a whole.

#### Capital Investment

The industrial development of Indonesia will require considerable investment of capital and it is extremely desirable that the dependence of the country upon the supply of foreign capital should be diminished by the increased formation of domestic capital, which, however, is only feasible in a process of economic development in which the national income gradually increases.

In the absence of domestic capital, the initial supply of considerable sums of foreign capital and enterprise to start this development, is indispensable. But, such investments must be able to operate profitably and the profit will have to be remittable. Essential to this development are stable political conditions to ensure capital reasonable safeguards against depredations of rapacious military organisations, and against the internal disturbances which have characterised the past month.

There will have to be a distinct line drawn between Government and private enterprise, and the latter must be assured immunity against undue interference from Government sources. In the past, the participation of the Dutch Government in industrial projects has been prejudicial to the encouragement of private enterprises, although to them must be given the credit for inaugurating many of the large modern industrial projects.

**Money in Circulation and Bank Deposits**  
Indonesia's State finances have shown a very large deficit since the war. In 1946, 1947 and 1948, this deficit amounted in round figures to a total of 2,800 million guilders, which was financed as follows (in millions of guilders):

	Increase of debt during:			
	1946	1947	1948	Total
External debt .....	260	810	440	1,010
Internal debt .....				
Increase of debt to the Java Bank ..	140	440	295	875
Increase in circulation of Government-issued currency ..	325	360	75	760
Increase in Treasury Notes outstanding .....	15	20	160	165
Increase in other internal debt .....	75	10	75	10
Total internal debt .....	525	810	445	1,730
Total increase of debt .....	785	1,120	895	2,800

The monetary effects of the State deficit on currency-circulation and on bank balances, and the connection between the two, are shown clearly in the following table, which combines the figures of the Government, the Java Bank, and the commercial banks as at the end of 1946, 1947 and 1948.

From these figures it is obvious that the decisive factor in the increase in bank deposits is the deficit financing of the Government, and that no increase in bank credit in the private sector of economic life has had a part in it. Loans and advances by banks in Indonesia are always a result, and never a cause, of the trade cycle and under the economic and financial conditions prevailing in Indonesia they never could be otherwise. In 1948 the total internal deficit of 454.9 million guilders thus accompanied an increase in currency of 388.1 million guilders (80% of the deficit) and in bank money of 164.8 million guilders (30% of the deficit). Comparison of these last percentages with those of 1947 shows that the currency circulation has latterly increased far more than the bank money. The average monthly increase in circulation was approximately 36.4 million in 1947 and 27.9 million in 1948, from which a downward tendency is perceptible.

The monetary circulation amounted to (in millions of guilders):

#### Bank Notes and Currency

In July 1947, after the so-called "Nica-money" had been put into circulation, the Java Bank started issuing its own post-war banknotes.

When these became exhausted (at a moment when there could be no question of a currency reform by a fresh issue of Java Banknotes) the pre-war banknotes of the Java Bank, and the pre-war Government currency were decreed to be legal tender again on May 27, 1948. As from that date, therefore, the increase in currency circulation is expressed almost entirely in the figures of the Java Bank.

The cost of printing Bank Notes in 1947/8 amounted to 1,873,269 guilders and in 1948/49 to 2,684,707 guilders.

In March the Government took drastic action to reduce the amount of money in circulation by a proclamation to the effect that only the left hand half of current Bank Notes would be recognised as legal tender and would be exchanged by the Banks for new notes of half face value. The right hand half of the notes must be paid into the Treasury as subscription vouchers to the new compulsory State Loan of 1,000,000,000 guilders.

At the same time, 50% of all bank balances above 2,000 guilders were transferred to a blocked account on the same loan.

The Government's object was three-fold; to stop the hoarding of currency, to reduce the amount of currency in circulation, and internal devaluation.

These arrangements, although they produced individual hardship and caused considerable confusion, were accepted quietly by the population. The Government appears to be determined to set its house in order by reducing the Budget deficit and generally reorganising the State finances.

#### Foreign Investments

Of the 3,500 million guilders invested in private enterprise, it is estimated that 2,300 million, or about two-thirds, is Dutch, and 350 million, or one-tenth, is owned by local Chinese. The remainder is in the hands of foreign groups: about 370 million British, 240 million American, 120 million Franco-Belgian, and the remainder other foreign interests. Of the Dutch and local Chinese capital, 1,500 million guilders (about three-fifths of the total) is invested in agricultural enterprises, 500 million in petroleum, 250 million in transportation and 400 million in privately-owned public utilities, manufacturing and miscellaneous enterprises. In Java most of the plantations are owned by Dutch capital, especially the sugar plantations, but in the later developed Outer Provinces there is a large scale admixture of foreign owned estates, particularly in the rich Sumatra East Coast Province. Here the establishment of a

	1946	1947	1948	1947	1948
Currency notes issued by Govt. of Indonesia ..	617.7	979.2	1,053.7	+ 861.5	+ 74.5
Banknotes issued by the Java Bank .....	895.6	480.0	755.5	+ 34.4	+ 325.5
<b>Cash held by banks .....</b>	<b>1,013.8</b>	<b>1,409.2</b>	<b>1,809.2</b>	<b>+ 895.9</b>	<b>+ 400.0</b>
Total currency held by the public .....	5.7	26.0	37.9	+ 20.3	+ 11.9
<b>Bank Money</b>	<b>1,007.6</b>	<b>1,383.2</b>	<b>1,771.3</b>	<b>+ 875.6</b>	<b>+ 388.1</b>
Creditors of and deposits with banks .....	857.8	1,233.2	1,407.4	+ 875.4	+ 174.2
Treasury notes, issued by Govt. of Indonesia ..	165.8	186.5	349.2	+ 17.7	+ 162.7
Other creditors of the Govt. of Indonesia ..	834.1	826.1	248.8	- 8.0	- 77.3
<b>Treasury notes held by banks .....</b>	<b>1,360.7</b>	<b>1,745.8</b>	<b>2,005.4</b>	<b>+ 885.1</b>	<b>+ 259.6</b>
Bank money held by the public .....	67.3	67.0	161.8	- 0.3	+ 94.5
<b>And was covered by:</b>					
Goldstock of Java Bank .....	531.5	470.6	470.9	- 60.9	+ 0.3
Foreign bills and balances .....	249.2	174.0	270.4	- 75.2	+ 96.4
Loans and advances, participations, inland bills, securities and fixed assets less the capital and reserves of the bank .....	175.8	263.0	264.8	+ 87.2	+ 1.3
<b>Net internal floating debt of the Government of Indonesia ..</b>	<b>956.5</b>	<b>907.8</b>	<b>1,005.6</b>	<b>- 48.9</b>	<b>+ 98.0</b>
	<b>1,344.5</b>	<b>2,154.4</b>	<b>2,609.8</b>	<b>+ 809.8</b>	<b>+ 454.9</b>
	<b>2,801.0</b>	<b>3,062.0</b>	<b>3,614.9</b>	<b>+ 761.0</b>	<b>+ 552.9</b>

large American plantation have given rubber its flying start, a British concern contributed largely to the expansion of tea production, and French and Belgian capital was an important factor in the spread of oil-palm culture.

#### Effect of Devaluation

The greatest event during the last few months in Indonesia was the devaluation of the Indonesian guilder. There could be no doubt that the devaluation would come about since the highly increased price level in Indonesia during the post-war years and the maintenance of the former rates of exchange had already caused considerable export difficulties, which had to be counteracted by artificial inducements.

Although price levels have all passed through different phases of inflation, it can hardly be said that this series of devaluations have effected proportionate adjustment to real values, so that the official rates of exchange still differ to a great extent from free rates. This does not alter the fact that to a certain extent, a favourable effect was attained. It is extremely difficult, however, to form an opinion of the consequences of the devaluation on Indonesia's economy. The facts are still rather confusing and they show, as far as exports are concerned, a different aspect for one product than for another, whereas foreign offers for imports sometimes display entirely different reactions, and it is entirely impossible to isolate the consequences of the devaluation from the complex factors affecting Indonesia's economic life. Official trade statistics as far as these already give figures of the post-devaluation period, do not yet indicate the consequences of the change in the rate of exchange on exports, as these do not represent current transactions but sales mostly made prior to the devaluation.

The issue of certificates signed after the devaluation, however, does give some indication of the trend of such consequences, a considerable increase after March, as compared with the previous months, being evident.

#### Trade Agreements

It is impossible to go any deeper into the matter here. In general, it may be said that the devaluation had a favourable effect on Indonesia's export and this should provide the country with an amount of dollars, which it otherwise could not have obtained.

It is sometimes said that Indonesia should export exclusively to dollar areas and should use the hard currency thus obtained to buy in the cheapest way on all markets.

This ideal policy, however, cannot be realised for—it should never be forgotten—in dollar areas there are only rather limited possibilities for

selling Indonesian products. For many products Europe is and will remain the most important market; for instance, for copra, coffee, tea and tobacco. As for palm oil, before the war a great deal of this product was sold to America, but this market was lost as a result of the increased production of fats. So palm oil also has to be sold mainly in Europe now. The limited importance of the dollar countries as a market for Indonesian products is clearly shown in the comparative survey added as an appendix.

Indonesia has concluded a number of bilateral Trade Agreements and monetary treaties. The basic idea of these agreements is not new. The treaties contain the usual provisions regarding mutual exchange of goods and services for a certain period, during which the parties endeavour to maintain as close a balance as possible.

The monetary agreements contain provisions which usually aim at maintaining the required balance of payments by including not only the exchange of goods, but also of services and other invisible items. From the viewpoint of Indonesia—which as already pointed out should advocate freedom of international commercial and financial intercourse—such a bilateral system of trade agreement can only be condemned. For, although most of these trade agreements do not consist of 'government to government' transactions, and generally indicate only the framework in which private commercial traffic is computed to develop in the period concerned, this does not alter the fact that a great deal of the trade volume of the countries concerned is blocked by 'programmes' and 'reservations'.

On the one hand there are a number of European countries which are important markets for Indonesian goods, but which have only limited quantities of goods to offer. On the other hand, there are countries producing important goods for the Indonesian market but, having only limited interest in Indonesian products. Should Indonesia make commercial connections with each of these countries on a bilateral basis, the consequence would be that it could purchase on a limited scale only and on the other hand obtain great amounts of unattractive currencies, for which no profitable use could be found. In the long run these conditions would seriously restrict the possibility to sell Indonesian products to European markets.

It is the problem which would result from direct participation of Indonesia in European bilateral commercial intercourse (although such participation is necessary in order to maintain contact with European markets) that is forcing Indonesia to continue close commercial co-operation and collaboration with Holland.

In the framework of this collaboration, the Netherlands act to a certain extent as 'adjuster of balances', either debit or credit, with the countries concerned.

Just to show the wide scope of this agreement, it should be remembered that Indonesia concluded trade agreements with Belgium, Denmark, Germany, Finland, France, Hungary, Italy, Norway, Austria, Portugal, Poland, Russia, Spain, Czechoslovakia, Great Britain, Yugoslavia, Sweden, Switzerland and the Argentine. In order to demonstrate the realisation of these agreements a survey is given of import and export totals during the latest agreement period, together with the exhaustion indicated in percentages of the totals.

In conclusion, the following can be stated:

Indonesia should advocate, by nature of its economic structure, the greatest possible freedom of international commercial intercourse. On this basis a lively exchange of goods will be possible, also with the dollar areas.

Indonesia cannot dispense with the European countries as markets of her products and as sources of supply. For this reason, it is necessary that she participate in the existing system of bilateral trade agreements in Europe.

The present arrangement with the Netherlands is favourable for Indonesia, as it considerably mitigates the disadvantage of the existing bilateral system of trade and monetary agreements, but it can only be considered as a temporary measure and one which will only be continued while it suits Indonesia, which is until she is in a position to establish her own direct channels of trade.

The following survey, referred to above, relates to the latest expired treaties, except those with Belgium and Switzerland, in which the figures emanate from current but nearly expired agreements:

#### E. C. A. Aid

Exhaust-	Import			Export		
	%	tion	Quota	Countries	Quota	tion
67	8.1	4.6	The Argentine	5.7	5.7	100
88	48.6	55.6	Belgium	51.8	15.8	30
95	4.2	4.4	Denmark	5.9	6.7	111
85	29.0	34.0	W. Germany	46.0	44.4	94
90	1.8	2.0	Finland	3.4	3.5	103
50	24.5	49.5	France	50.7	43.9	87
	—	0.5	Yugoslavia	12.5	7.4	53
100	2.4	2.2	Norway	8.8	4.4	115
83	1.0	1.2	Portugal	0.4	0.2	50
55	11.1	20.8	Spain	18.5	7.8	54
73	15.3	21.2	Czechoslovakia	14.2	14.2	100
125	23.8	19.6	Sweden	22.7	29.4	133
86	12.9	15.3	Switzerland	15.0	9.0	69

Indonesia received a first grant from E. C. A. in 1948. Provisionally, an interim grant of U.S.\$10,000,000 was

assigned and ultimately during the first twelve months an amount of US\$60,000,000 was allocated.

A recovery programme was drawn up for the purpose of rehabilitating the country's economy and the following goods were imported:

Grain for baking .....	\$ 3,925,000
Rice .....	8,163,000
Milk .....	1,076,000
<hr/>	
Textiles .....	18,164,000
Raw Cotton .....	573,000
Gum Resins .....	383,000
Caustic Soda .....	180,000
Heavy Chemicals .....	476,000
Jute Sacks .....	329,000
Yarns (Cotton) .....	326,000
Iron and Steel .....	1,151,000
Manual Tools .....	100,000
Aluminum Products .....	244,000
Engines and Generators .....	180,000
Electric Apparatus .....	195,000
Steam Engines and Turbines .....	474,000
Mining Equipment .....	510,000
Mechanical Tools .....	340,000
Industrial Machines .....	2,694,000
Motor Vehicles .....	7,220,000
Tyres .....	1,000,000
Tractors .....	600,000
<hr/>	
	\$60,111,000

The aid was temporarily withdrawn in December 1948 as a result of the Dutch 'police action'. Consequently the country found itself deprived of many vital necessities and the withdrawal of aid meant a consequent deficit which had to be neutralised by a curtailment of imports, thus arresting rehabilitation because of the reduced supply of capital and consumer goods. Therefore, the import programme had to be revised in order to regain the necessary equilibrium in the balance of payments, although at a lower level.

E. C. A. Aid, however, was resumed in November 1949, based on the presumption that the transfer of sovereignty to Indonesia would take place before the end of the year. This means that Indonesia will get half the amount which the European organisation offered on the proposed distribution of aid during the period 1/7/1949 to 1/6/1950, amounting to 37.5 million dollars, after which Indonesia can no longer be regarded as belonging to the framework of European countries and American aid by this scheme will, therefore, cease.

#### British Loan Agreement

Trade talks have recently been concluded in London in an agreement which provides for the import into the United Kingdom of Indonesian import commodities worth nearly £12,000,000 during the current year. The main items will be copra, palm oil, tea, rubber, hides and skins. Although imports into Indonesia from the United Kingdom are restricted by the balance of payments difficulties against which the Federal Government is struggling, Indonesia will be enabled to buy in this

country, machinery, electrical equipment, cars, textiles, chemical and pharmaceutical products to the value of more than £7,000,000 in the year.

At the time of compiling this report, complete details of the actual allocations of funds for the various products mentioned are not available for inclusion here.

This is welcome evidence of the Indonesian Government's desire to establish an economic link with Great Britain, and may prove to be the beginning of a more direct trade relationship than that which has existed in the past.

#### Export-Import Bank Loan

The following projects have been submitted to the Export-Import Bank to be financed by the 100 million dollar loan.

1. Motor Cars—importation of motor vehicles as part of the rehabilitation of highway transport.
2. Road construction—purchase of heavy material for road construction.
3. Railways—purchase of rolling stock, material for railroad building and maintenance and equipment for workshops.
4. Aircraft—purchase of Convair aircraft.
5. Harbours—purchase of material for laying out and improving harbours such as dredges, etc.
6. Electrification—purchase of machinery for new power stations and expanding and improving existing electric network.
7. Postal Service—purchase of tele-communication equipment.
8. Forest exploitation—purchase of equipment for felling, transporting and sawing wood.
9. Rice cultivation—purchase of fertilisers and insecticides.
10. Cattle Institute—purchase of equipment for General Cattle Institute and material for laboratories.
11. Fisheries—purchase of fishing lines.

	A.	B.	A. + B.
(in million guilders)			
1. Motor Car Project	179.7	269.3	449.0
2. Road construction			
Project .....	7.0	17.0	24.0
3. Railway Project ..	86.0	457.0	543.0
4. Aircraft Project ..	29.0	—	29.0
5. Harbour Project ..	31.8	—	31.8
6. Electrification			
Project .....	22.5	111.0	133.5
7. Postal Project ....	10.2	1.8	11.5
8. Forest exploitation			
Project .....	26.1	1.8	27.4
9. Rice cultivation			
Project .....	3.6	—	3.6
10. Cattle Institute			
Project .....	1.6	—	1.6
11. Fishery Project ..	4.3	—	4.3
<hr/>			
Subtotal .....	401.3	856.9	1,258.2
Reserved for:			
(a) Industry ..	64.5	20.5	85.0
(b) Shipping ..	56.0	38.0	94.0
<hr/>			
Total .....	521.8	915.4	1,437.2

Column 'A' gives the amounts to be financed with the 100 million dollar loan and Column 'B' gives the amounts of foreign exchange required for carrying out the projects completely, which will take several years.

The total of the projects submitted amounts to 401.3 million guilders or \$103 million. As soon as the industry and shipping projects are submitted, the whole cost will total \$21.8 million

guilders or \$137.3 million. To complete such a programme, modest as it is compared with the country's needs, political tranquillity is essential. If the various political elements can be pacified, then the British trade can flourish even if a major share of the capital goods required falls to American industry.

#### ECONOMIC STRUCTURE OF INDONESIA

Before the war, Indonesia held an important position in the world production of raw materials. This is shown by the following figures giving the share of Indonesia in world exports in 1939:

Cinchona Bark (production) .....	91%
Pepper .....	26%
Capoc .....	72%
Rubber .....	37%
Copra .....	27%
Palmoil .....	24%
Tea .....	19%
Sugar .....	11%
Tin .....	15%

The production of oil, although only 2 1/2% of world production, is still important because Indonesia is by far the largest producer of oil in the Far East.

The significance of agriculture in the Indonesian economy is shown by the value of the pre-war exports of agricultural products. The total of these exports averaged .426 million guilders of which .169 million guilders is native produce and .257 million guilders estate produce. Of the total amount, .89 million guilders went to the U.S.A., and .34 million guilders to the Netherlands.

It is a well known fact that the trade in Indonesian products played an important role in the economy of the Netherlands by providing for a large part against its need of foreign exchange, especially U.S.A. dollars. Indonesia lacked the capital and to a great extent the managerial personnel for the development of its natural resources. For the larger part both came from the Netherlands, but there has also been a considerable and increasing flow of capital from other countries.

The extent of the foreign private investments immediately prior to the war are approximately as follows:

Amount of capital invested in Indonesia by:-	Millions of Guilders	Percentage
Netherlands .....	2,800	70
Great Britain .....	500	12.5
U. S. A. ....	400	10
France and Belgium .....	200	5
Other Countries .....	100	2.5
<hr/>		
	4,000	100.0

In addition, foreign capital has a large interest in petroleum as well as in rubber and tea. The Standard Vacuum Oil Co., is said to control 40% of the oil interests in Indonesia (its properties were valued at U.S.\$70,000,000 in 1948); British petroleum inter-

ests are represented in the Royal Dutch Shell combine through which they hold 40% of the capital subsidiary companies acting in Indonesia. The direct stake of Great Britain in oil production, refining and transport has been estimated at £24,000,000.

Indonesia's prosperity, over and above the limits of indigenous village production, is bound up with foreign trade and is dependent on the capability of the country to produce export income.

It exports mineral and vegetable raw materials which are treated or refined mainly in industries abroad; it is, therefore, highly dependent on conditions ruling on the international market. It is obvious, therefore, that normally the commercial policy of Indonesia will be one which permits as much freedom in exchange of goods as possible, in order to expand its volume of exports to the utmost and thus provide foreign exchange for its very necessary import requirements.

#### Agriculture

Agriculture economically dominates all other occupations. In 1940, about 22,000,000 acres in Java and Madura were used for the growing of native food crops and various export crops. Western estates occupied about 3,115,000 acres, of which 1,460,000 acres were in cultivation. On Sumatra, Borneo, Celebes and the Lesser Sundas, food crops covered about 8,000,000 acres, native grown export crops 5,000,000 acres and estate crops 1,500,000 acres. The principal native food crops were rice, maize, cassava, sweet potatoes, peanuts and soybeans, with rice being the major crop. Agricultural and forestry export crops include sugar, tea, rubber, copra, leaf tobacco, palmoil and palum kernels, coffee, nutmeg, cinnamon, cocoa, copal, damar, gambir, rattan, teakwood, essential oils and several other products.

About 63% of the total volume of these crops is estate grown. Estate production predominates in sugar, tea, leaf tobacco, palmoil, hard fibers, and conchona bark; while native grown export crops include primarily copra, pepper and other spices, essential oils and kapok. The production of rubber is divided about equally between estate and native.

Although over-all recovery of the agricultural export industry in 1949, as measured by the volume of exports, was only 20% of 1940, several products showed much more substantial advances, namely, rubber 70%, copra 43%, conchona 63%, cinnamon 54%, Kapok 32% and rattan 54%. Estimates for native food crops indicate an average output of about 85% of pre-war.

#### Rubber

The rubber industry had a potential production of about 680,000 tons before the war, divided between a plantation

rubber industry with 1,173 estates with a standard production of 358,000 tons and a native rubber industry with a standard production of 322,000 tons.

During and after the war, a number of areas under estate rubber and also some under native rubber, were demolished, but, assuming that up to 30% of the pre-war plantations have been lost, the increased capacity of those remaining, due to enforced 'rest' during the war, should be able to neutralise or even exceed the production lost, so that the total potential may be considered as approaching pre-war.

The quantity of rubber exported during 1948 was 280,000 tons of which roughly 100,000 tons was estate rubber. These figures do not include smuggled exports, especially from Sumatra, which are estimated at some 160,000 tons, mainly native grown. So that the rubber industry is already well on the way to pre-war average.

Before the war, capital invested in rubber estates in Indonesia amounted to some US\$370,000,000 and the number of planters, workers and tappers with their families amounted to some 9,000,000, all dependent for their livelihood on rubber production.

These facts are mentioned merely in view of the increasing development of synthetic rubber in the U.S.A., which reached 450,000 tons in 1949.

#### Sugar

The sugar cane industry has been developed mainly in Java, prior to the war, 86 mills were in operation, and a number of fully equipped mills were also kept in reserve which could not take part in production due to the fact that the total sugar production was restricted to 1,500,000 tons. Planting in 1940 for the 1941 crop was planned for a crystal yield of 1,672,000 tons.

The sugar factories in East Java were not returned to their owners until 1948 and much repair and reconstruction had to be done. It may be mentioned here that these factories are large users of copper tubes and other non-ferrous metal products.

During 1949, one quarter of the 1941 area was planted and grown in extremely unfavourable circumstances as compared with normal standards, to be ground in 30 factories, but it is difficult to estimate the yield because this will depend on the degree of peace and order during the grinding season; some estimates set this at 500,000 tons.

#### Oil Palm Culture

Sumatra claims to produce the highest quality of Oil palm and very valuable work has been done in selection, the aim being not only to produce a thick layer of fruit flush and the highest percentage of oil, but also to prevent free fatty acid formation by

collecting at the exact degree of ripeness and sterilizing and pressing without delay. To this end modern oil extraction plants are in operation. These factories work the year round, and 24 hours a day in the months of top crops. The mills are steam driven and the motive power is obtain from burning the waste products (empty fruit bunches and kernel shells) so that no fuel is required.

The oil is transported by tank wagons of the Deli Railway to Belawan where it is stored in tanks for final shipment to Europe and the U.S.A. The first post war shipment of palm oil from Deli took place in April, 1948.

The bleaching of oil has advanced considerably and has thus become of increasing value as raw material for margarine. It is also used in the tinplate, textile and printing ink industries and especially in the manufacture of soap and candles.

Palmoil production in 1940 was approximately 240,000 tons. About 60% of the pre-war area is still intact and it is estimated that 1949 production was some 88,000 tons. 19 estates are now processing their own production.

Although oil palm suffers from many diseases, so far these have not caused serious damage. It does happen that saccate caterpillars (psychides) attack the leaves but such pests remain generally limited to part of the plantation and the trees soon rally. High fruit production and rapid growth exhausts the soil and substantial quantities of phosphate fertilizers are used.

#### Coffee

Early attempts at coffee cultivation were unsuccessful due to the practical annihilation of the plants by leaf diseases caused by a fungus (*Hemileia Vastatrix*). Later a more robust species was introduced which is more resistant to leaf diseases.

Total production in the last pre-war years amounted to about 115,000 tons.

The Japanese uprooted coffee rigorously in order to expand the production of food crops. However, the cultivation of annual food crops on unirrigatable undulating soil is very detrimental to the preservation of the fertility of the soil, so that in many places lasting damage was done and cultivation is now having a very difficult rehabilitation problem.

The total output in 1948 from 31 estates amounted to 9,226 tons (dry) and the acreage under cultivation was 72,280 acres. The plantation coffee for 1950 is estimated at 15,000 tons, or about 27% of pre-war production, but this will depend on whether peace and order will return to the highlands of Java. The welfare of the native population on eastern Java, in particular, depends in a great measure on the cultivation of coffee.

**Cocoa**

Climatic and soil conditions are well suited to cocoa. An extension of cultivation is planned, particularly in Celebes, as a rotary crop on the cocoanut plantations. Cocoa fruit in Java was completely kept up during the Japanese occupation and in certain areas it was even expanded, and production has now almost reached pre-war level. Despite the continued threat of disease and pests (*Helapeltis* and *cocoa moth* and *curl shoot disease*) considerable research is continuing in the direction of vegetative propagation—which originally did not go so smoothly as with rubber—in order to be able to supply on a large scale, and at short notice, plant material for new cocoa cultivation.

**Tea**

Tea is restricted to only a part of Java and Sumatra as it is a sub-tropical plant and grows only in the milder areas and where there are no protracted dry periods, since it is essential that the shrub should be able to produce successive young leaf. The main tea estates are on the Pangalongan plateaux in Java and around Deli and Benkoelen in Sumatra. Pre-war, there were 300 estates in Java and 40 in Sumatra. Production in 1938 was 81,416 tons of processed tea, of which 68,000 tons came from plantations and 13,000 tons from native gardens.

The factories are elaborately equipped to process large quantities of leaf daily and are highly mechanised.

During the Japanese occupation, the plantations became largely idle, the shrubs were no longer pruned and diseases and pests got the upper hand. Further, entire districts were cleared for the cultivation of food products. Many of the factories were looted of the copper rollers and some totally dismantled.

In 1948, the total production from plantation and native gardens amounted to 12,928 tons, of which about 3,500 tons were for domestic consumption and 9,408 tons were exported. The export is, therefore, still very moderate.

The number of tea estates in production are stated to be 157 and the number of factories were damaged to such an extent that they will have to be completely re-built and re-equipped, and the process of recovery in this industry will take some years.

**Fibre Production**

Before the war, the Indonesian production of hard fibres amounted to about 64,000 tons. Of this, the greater part consisted of Sisal and Cantala, and only 200 tons of Abaca fibre. Cultivation of Abaca is principally found on the east coast of Sumatra and in the Lampung district as a plantation crop. Modern well appointed factories process the crops harvested into fibres.

Sisal fibre is mainly shipped to U.S.A., where it is preferred on account of its greater strength. In Europe, Cantala fibre is given preference because of its greater fineness, pure white colour and suppleness.

In Indonesia, a great deal of Agave fibre is manufactured into sacks for packing salt. Black Idjoek fibre is exclusively used for native shipping, fishing and as binding material for roof construction.

In spite of the large cocoanut plantations, the production of cocoanut fibre, or coir, has never assumed great proportions. Home consumption is limited to the manufacture of cocoanut mats, brushes and pipe line packing.

In the latter years before the war, the shortage of Jute sacks was the cause of the attempt to find a means of supplying home demands, with the result that immediately before the war, two sack factories were working with a combined capacity of 8/10 million sacks a year; Roselle fibre was used as raw material.

**Cotton:**— Up to the present, Indonesia, as a cotton producing country, has remained of little importance. The desired dry period, so necessary when harvesting the ripe seed pods, is absent in most regions. Nevertheless, the new varieties now available, and the tremendous development in the eradication of insect pests, now offer favourable prospects for the establishment of cotton cultivation as raw material for the already existing spinning and weaving mills. The Government is making tests with the new varieties in suitable territories.

**Kapok:**— The pre-war export was 25,000 tons, or about 85% of world production. Cultivation takes place both in plantations and native gardens, and much destruction has been caused by the Maduria parasite. The pods are purchased from the natives by Chinese buyers who do the further processing in small factories; the preparation is fairly simple. Production is mainly in Java, where conditions for cultivation are most favourable. Java kapok has earned a high reputation due to its extreme lightness and non-absorbent qualities which readily permit sterilization by heating.

The post war export has been extremely small and as this is an industry which could be restored fairly soon, it seems obvious that the demand has lessened as a result of various substitutes perfected during the war years. Exports during 1949 were below 8,000 tons approximately 30% of the pre-war figures.

**Essential Oils**

Indonesia possess a wide diversity of plants rich in essential oils, of special importance being citronella.

**Copra**

The cocoanut palm is almost entirely a native product and in many cases the production of native export crops was subordinated to those for home consumption. It is difficult to stimulate the growth of crops for export when it is possible to earn more in other ways. During recent years all attention has been concentrated on the production of food, particularly rice (the staple diet), maize, cassava, sweet potatoes and soya beans.

The pre-war export of copra amounted to about 500,000 tons, and in 1949, some 260,000 tons.

**Tobacco**

The rehabilitation of the Besuki tobacco industry was energetically taken in hand immediately owners were enabled to return to their property. The damage caused proved to be considerable. Only a few good yards were saved and nothing was left of the drying sheds. Fortunately the experimental station remained intact and the small quantities of seeds recovered there made it possible to multiply the results of years of selection.

Some 280 drying sheds have been rebuilt as against the 1300 which were in service before the war. 4,040 fields were planted in 1949.

Tobacco exports are of two kinds: Deli leaf for cigar wrappers and less expensive varieties for filler and pipe tobacco. Almost all such pre-war exports went to Holland for subsequent re-export to consumer countries.

The plantation tobacco industry is concentrated in Deli, Besuki and the native states. Being a one-year product, which does not entail large capital investments for its production, it can be expected that normal capacity will soon be regained provided it is not hampered by the continuation of terrorism in the tobacco districts.

**Cinchona**

The cinchona estates are mainly situated on the upland plain of Pengalengan (some 25 miles south of Bandeung). Some years before the war, cinchona production in Java came under Government supervision by a system of licences limiting export and planting, in order to prevent over-expansion and maintain a profitable price, and in 1940 cinchona was classed as strategic material and a special export tax of 5% was levied.

With 90% of the world's output, Indonesia enjoys a practical monopoly of cinchona bark, the basic raw material for quinine. Formerly, most cinchona was shipped to the Netherlands for processing and distribution as quinine to other countries, but at the outbreak of war an increasing amount was being processed at Bandeung. Exports in 1950 were 7,231 tons of Barkand 1,355 tons of Quinine.

The cinchona industry was one of the least ill-treated during the war, since the Japanese invaders considered it as a war essential. Nevertheless, some 12,000 acres of cinchona gardens were allowed—through lack of labour for thinning out—to grow into a solid forest. Also a great number of drying installations were destroyed and this deficiency in drying capacity at first limited production. Provisional drying plants have since been built and a crop of some 14,000 tons of bark is anticipated this year from about 128 estates. From this it appears that neither the areas nor the productive capacity show much change in comparison with pre-war years which were as follows: total bark crop 12,368 tons, proving equivalent processed quinine of 886 tons.

The war completely dislocated the market for quinine due to the development of more efficient substitutes for combating Malaria, and it now has to meet severe competition from Atebrine and Plasmechine; in addition, the cultivation of cinchona has been started and extended in several areas in Africa and America. It looks as though exports of both quinine and bark will be reduced in coming years due to buyers' requirements being smaller. Recent investigations indicated that Holland is still endeavouring to exercise a monopoly over the industry but it is expected that the Indonesian Government will take steps to free this attempted control and negotiations are already in progress with the organisation concerned.

#### Livestock

Livestock production in Indonesia is primarily for the purpose of obtaining draught animals and secondarily for hides and skins. The dairy industry is negligible. The annual proceeds from cattle breeding are estimated at about US\$50,000,000 before the war. The principal livestock are cattle, water buffalo, horses, sheep, pigs and goats. The total number of animals was estimated at 14,777,000 in 1947—about 17% below pre-war.

#### Tin

Tin production is concentrated on the islands of Bangka, Billiton and Sinkep off the southeastern coast of Sumatra, but there are deposits on adjacent islands and it is quite possible that the coast of Sumatra contains additional reserves. The ore occurs in the alluvial sediment of many river beds and on the slopes of generally low hills; in some cases the rivers stretch into the sea for some distance. This sea tin has represented a considerable part of the production at Sinkep and to some extent at Bangka, the ore being moved almost directly into ocean going steamers if it has to be shipped to overseas smelters.

This industry quickly recuperated from the damage left behind by the occupation. At the outbreak of war,

the authorities issued orders to render plant and installations in the tin workings useless by removing vital parts to Australia. At Sinkep this plan succeeded but at Billiton shipment was interfered with by enemy air attacks and the ships carrying these cargoes were scuttled.

On investigation of the workings after the war, they were found to be in a deplorable condition. Not only had motors and equipment been carried away, but the power supply was seriously deranged by the fact that diesel engines and high tension lines had been dismantled. Surface installations had also been destroyed. Most of the bucket dredgers, though still present, were partly dismantled and entirely out of repair.

On Billiton, the power unit which previously had an output of 20,700 h.p., was found to have a capacity of only 5,710 h.p. Capacity has since been increased to 16,000 h.p.

Reconstruction of the workings was expedited by the fact that as early as 1945, orders had been placed for the construction of six modern super dredgers in Holland, and later a further order with an American shipyard for the construction of two other ocean-going dredgers. Of these four are in operation in Bangka, two in Billiton and two in Sinkep.

Bucket dredgers also play an important part in production. On Bangka, 33 mines and 7 dredgers are in operation. The figures for Billiton are 17 suction and 14 other dredgers. These dredgers move many millions of tons of earth annually; the capacity of a modern dredger (14 or 15 cu. ft.) is about 3,000,000 cu. yds. annually. Such dredgers have a displacement of some 4,000 tons with a chain of approximately 130 buckets which can take up a depth of 100 ft. It will be appreciated that the earth turned up only contains a small percentage of tin. The ore is mechanically separated on board the dredgers. The concentrate contains 72-74% of tin in the shape of oxide. In addition to the dredgers, there are hydraulic monitors in use in opencast mines which work under enormous pressure. While most of the tin is alluvial, certain conditions make it worth while to go below the surface by washing the earth loose which is done by pumping water up to the location.

The industry is now almost completely mechanised and with modern, well equipped workshops for repairs and maintenance. Many replacement parts are also produced.

The production of truetin in long tons during 1949 was Bangka 17,584, Billiton 9,506, Sinkep 2,424, making a total of 29,514 as against 30,600 in 1948, which, while considerably lower than pre-war top production, yet compares favourably with the results achieved

in other tin producing countries, taking into consideration the difficulties which had to be surmounted.

The average exports from Indonesia prior to 1942 amounted to 30,200 long tons with 13,841 for the year 1935 as the lowest figure and 52,408 in 1941 as the highest so that the tin mining industry has already reached its pre-war level. Exports are roughly 60% to the Netherlands and 40% to the other countries, mainly the U.S.A. All figures given are in terms of the metal content of the ore.

The future possibilities for utilising its complete productive capacity will, however, depend—as in former years—upon the world tin situation which has undergone considerable changes owing to the war. The estimated world tin production in 1948 was 151,000; world consumption 138,000 so that on the basis of these figures it seems unlikely that in the long run Indonesia's tin production can be counted on to become appreciably higher than the average attainable before the war.

The number of people employed in the tin mines is at present approximately the same as pre-war, or about 25,000. Wages, which are paid both in cash and inducement goods, range for 3 to 4 times pre-war level.

Tin production on Bangka has always been a Government enterprise. Tin mining on Billiton was started by a private company but later became the Joint Mining Company Billiton (G.M.B.) in which the State holds five-eighths of the shares. The island of Sinkep was also originally a private company but was taken over by G.M.B.

Prior to the war, production was controlled by the International Tin Committee which fixed the tonnage each country was permitted to produce. The Netherlands Indies standard tonnage was set at 19% of the total tonnage. Depending on its quota figure, the output of the Indies has varied between 12,000 and 52,408 tons. The latter figure was reached in 1941 when the quota was raised to 150% to enable the U.S.A. to stock up with tin. This huge export had a value of nearly 100,000,000 guilder, which placed tin third among export commodities, following rubber and petroleum.

Before the war, Bangka ore was smelted on the island, but that of the other islands had to be sent abroad to the Straits Settlements where G.M.B., had a working arrangement with Consolidated Tin Smelters Ltd. This concern, having smelters in Liverpool and the Straits, process about 70% of the world's output. A few years before the war a large smelter, part owned by G.M.B., was built at Arnhem in Holland, where the ore is now shipped.

**Coal**

The principal coal mines are located in central west Sumatra, south Sumatra and east Borneo. Very few details are available but the total reserve is estimated at some four million tons. The average thickness of seams ranges from only 6 to 21 feet. The coal found in Indonesia is 'tertiary', which makes the coal very friable, a great disadvantage since it increases the risk of spontaneous combustion and consequently can only be stored in low stocks. Moreover, the high percentage of gas causes difficulty in the case of boilers not specially constructed for the use of such coal, more air must be added (forced draught) and the surface reduced. This is an important point for British suppliers of boiler equipment, since European coal is mainly carbonic.

The Bukit Asem collieries are said to produce an almost ashless brown coal which undergoes a natural process of enrichment by the heat developed on the volcanic rocks, whereby the coal is transferred into varieties of high calorific value.

The very slight depth at which coal layers are encountered in most of the mines, allows winning by open cuts, so that there is a very limited demand for normal consuming areas is a great handicap to profitable exploitable exploitation.

Coal production amounted to 287,722 metric tons in 1948, which was equivalent to 14% of the production of 2,009,422 tons in 1940. The 1948 figure, however, does not include the Ombilin Mines in Sumatra, which are located in territory controlled by the Republic of Indonesia. Of the total of 2,009,422 tons mined in 1940, 1,425,451 tons were produced in Sumatra and 583,971 tons in Borneo. At the Bukit Asem mine in the Palembang district of southern Sumatra, the archipelago's most important coal mine, production proceeded on a small scale until the area was reoccupied by the Dutch early in August 1947. Thereafter, production was stepped up insofar as inadequate rail transport and shortage of dynamite would permit. Since the mines have no storage facilities, the coal is loaded directly into railway wagons to be transported to the port of Kertapati for storage and shipment. Output is limited to the quantity which can be transported, at present slightly more than 1,000 tons per day. In December, 1948, production attained 23,500 tons, about a third of the pre-war rate. Until new railway equipment can be imported no great improvement is anticipated.

The East Borneo mines are located on a river above Samarinda and can be reached by ocean-going vessels. Their output, which was 71,000 tons in 1948, can be restored to the pre-war level of about 160,000 tons in 1949. Moderate increases are likewise expected at a number of other mines. Although the

Indies was a coal exporting country before the war, the locally produced bituminous coal is not adequate for all purposes, so that higher grade coal was imported to a limited extent. In 1948 consumption of high-grade coal was restricted to a minimum to economise on foreign exchange. Imports amounted to about 37,000 tons and were drawn principally from the United States, the Netherlands and Singapore.

**Bauxite**

Production commenced in 1938 and surprisingly rapid development had taken place in this aluminium bearing ore, giving Indonesia seventh place among all producing countries.

The deposits are worked on Bintan, Bantam and a number of small neighbouring islands; Bintan is the main area of present activity. Here the deposits lie near the surface so that open pit mining is possible. The whole process, from mining to ship, is mechanized. The total production is exported. Production is controlled by the Nederlandsch-Indische Bauxite Exploitatie Maatschappij (Nibem) in which several private companies and the State participate.

Until the war, Germany was the main customer; Japan also showed a special interest in this new source of aluminium.

In 1940, 275,000 tons of Bauxite were produced on Bintan of which 235,000 tons went to Japan, 39,000 to the U.S.A., and 14,000 to the U.K.

Although the entire output has been exported until the present time, plants are now under construction in Indonesia for processing the ore.

After the arrival of new equipment drawn principally from the United States, Bauxite production was resumed in 1947, production by overhead carriers and mechanical equipment for loading vessels being used, so that only a relatively small labour force is employed.

An output of 300,000 tons is anticipated in 1949. A rotary kiln is installed to dry the Bauxite, which contains from 10 to 11 percent moisture as it comes from the pits. This kiln was ready for operation in July 1948, making it possible to ship about a third of the year's output dry.

In accordance with current contracts, the bulk of the 1949 production will be exported to the United States. The anticipated output in 1949 compares with the pre-war production of 275,000 tons in 1940.

**Nickel**

The exploitation of nickel deposits is a recent venture. As is wellknown, world production of nickel is highly localised, with Canada producing almost 90% of the total annual output (about 120,000 tons).

The ores are located in extensive deposits in central and southeast Celebes. They are so situated as to make open pit mining possible and thus permit profitable operation despite the low (one-fifth percent) nickel content.

The first shipments were made in 1937, Germany being the main destination. Production was small, totalling perhaps 100 tons per year. Mining has not been resumed since the war but the prospects for a considerable development seem very favourable.

**Salt**

Salt is recovered from the evaporation of sea water. Production is centred in Madura, where the pans are operated as a Government enterprise. Salt is likewise recovered by the natives in Southern Celebes but on a smaller scale.

Total production was 80,000 tons in 1946 and 12,000 tons in 1947. Before the war, salt production sufficed the needs of the Indies and provided a small export surplus which went principally to Japan. When war broke out, production was being expanded with a view to exports.

Production in Sumatra declined sharply during and after the war, with the result that a shortage developed and salt had to be imported in 1946 and 1947; in the latter years, weather conditions reduced the output in Celebes, while production in Madura was brought almost to a standstill by famine and political upheavals.

When the Dutch re-occupied Madura late in 1947, they found that some of the pumping and briquetting installations had been damaged by fires and explosions. But in 1948, Madura made such headway that, taken as a whole, the Industry almost reached its pre-war level, production amounting to 280,000 tons.

The following figures reflect the market demand for salt:

	1940	1948
Consumption		
Sale ..	149,000 tons	117,500 tons
Fish Salt .....	30,000 "	17,300 "
Industrial Salt .....	2,000 "	3,700 "
Total .....	181,000 "	138,500 "

It is claimed that Caustic Soda (indispensable to a number of industries) can be produced from the salt found on Madura, in sufficiently large quantities.

**Iron Ore**

A small iron industry is already being established in Java, the object of which is to supply home needs in very simple tools. It is still an open question as to whether the iron ore of Borneo and Celebes can be exploited.

**Labour Conditions**

Labour continues to be restive under the steeply rising living costs and much ferment is also inspired by Com-

unist elements. Active unionisation among industrial workers has been a marked feature of recent labour developments, and strikes are now occurring with serious frequency.

#### Woodworking

Plans for the establishment of a large woodworking industry in the richly forested areas of Borneo are already being carried out.

#### Petroleum

[The Batavia Petroleum Maatschappij (B.P.M.) a subsidiary of the Royal Dutch-Shell combine, is the largest oil producer in Indonesia, contributing over 60% of the annual output. Royal Dutch provide three-fifths and Shell two-fifths of the 300 million guilder capital of B.P.M.

American interests in the form of the Standard Vacuum groups have a concession on Palembang (Sumatra) and rank second in production.

Ranking third in output (15%) is the Nederlandsch-Indische Aardolie Maatschappij (N.I.A.M.) in Djambi, owned jointly by the State and B.P.M.

A 10 million acre concession in West Sumatra was also given to the Nederlands Pacific Petroleum Co., owned jointly by the Standard Oil Co. of California and The Texas Corporation. It appears that in giving this concession, the Government considered the political desirability of having greater American interest in Indonesia and of introducing a new competitive factor. This concession is still in the exploratory stages and the Government reserves the right to take over the development of all areas after reimbursing the holder for exploring and surveying expenses incurred.

Rehabilitation of the petroleum industry after the war progressed steadily and by 1947 the reported total output of crude petroleum amounted to 1,122,046 tons, provided by Sumatra 504,950, Borneo 566,538 and Java 50,558, tons; distribution by products being as follows: gasoline 358,675, diesel and fuel oil 966,539, kerosene 207,184, paraffin 11 and asphalt 10,957 tons. During the early part of this year, 421,720 tons of crude oil were imported and were processed at Pladjoe and Balikpapan until production of crude oil in Borneo was increased. The refining in the places mentioned below was, at the outbreak of war, as follows.

In tons per year

Balikpapan	2,600,000
Pladjoe	2,400,000
Pangkalan Brandan	1,100,000
Tjepu	500,000
Wonokrome	80,000
Sungei Serong	2,400,000

The installations at Balikpapan and Pangkalan Brandan were completely destroyed in the war; that at Tjepu was partly destroyed; while those at Pladjoe and Wonokrome have been repaired.

The work of repair was energetically pushed forward so that the refineries at Pladjoe and Wonokrome have reached their pre-war capacity. At Pangkalan Brandan a wholly new refinery will have to be constructed, whilst as regards Tjepu the question how far the refinery can be reconstructed is now under consideration. The refinery at Sungai Serong is again in production.

For 1949, the production of petroleum products has been fixed at about 4,000,000 tons.

#### Forestry

The total forest area of Indonesia covers 306,000,000 acres, or about  $\frac{1}{3}$  of the total land area. Of this total, 40% is located in New Guinea and East Indonesia, 34% in Borneo 24% in Sumatra and 2% in Java. Only about 9,000,000 acres are available for lumber production, the remainder being used for the prevention of soil erosion and the protection of river sources. The principal export variety is Java and Borneo teakwood.

After the Japanese capitulation, it was found that the most productive forests in Java had suffered from unchecked felling and that on 8 to 10 times the normal annual felling area, the trees stood dead on their trunks. Although it has not become possible to make a new inventory of the country's forest possessions, it is clear in view of the above fact that, for a long period, the production of Djati building wood will have to be severely restricted if the forest area is to regain its former content. A permanent reduction of the forest area in Java must be regarded as inadmissible.

A rough survey of timber shows on the one hand that 45% of the pre-war production was reached and, on the other, that notwithstanding great difficulties in Borneo, East Indonesia and New Guinea, production was greater than before the war.

The inter-insular timber transport in Indonesia amounted to 3,531,500 cu. ft., in 1948, as against 1,765,750 cu. ft., in 1939. It was chiefly Borneo which sent its surplus to Java, Sumatra and East Indonesia.

Exports, which in 1939 amounted to 14,126,000 cu. ft. of various sorts of timber and a further 3,531,500 cu. ft. of fire-wood and 50,000 tons of charcoal, amounted in 1948 to 2,330,790 cu. ft. of timber, 1,836,380 cu. ft. of fire-wood and 11,400 tons of charcoal.

The export of pulp has so far not taken place to any extent.

#### Soil

The reliance on wet rice cultivation greatly enhances the value of areas suitable to this crop in comparison to all other types of land. Wet rice cultivation needs a large amount of labour; in turn, the yield is compara-

tively abundant and certain. Other considerations, however, must not be overlooked. In the first place, not all alluvial plains, even assuming that they are fertile and have the right climate, are usable. Large areas of recently formed coastal plains are too marshy to be drained by simple native techniques, or the rivers are too large to be controlled for irrigation purposes.

Then, too, the fertility of the alluvium differs greatly according to the composition, texture and structure of the soil. The first factor, composition, is of particular significance. Under the heavy equatorial rains soluble elements are effectively leached out so that mature soils are usually very infertile. On the plains the recurrent river floods restore fertility by depositing silt derived from erosion in the uplands. There is, however, a considerable difference in the composition of these alluvial soils, depending on the kind of rock from which they come. The material derived from volcanic deposits is, as a rule, much richer in nutrients than that from non-volcanic strata like sandstone or limestone. And within the groups of volcanic materials one must further distinguish between 'basic' and 'acid' eruptiva. This classification rests mainly on the proportion of silicic acid present. The acid eruptiva (like liparite) contain a high percentage (over 65%) of silicic acid, and basic ones (like vasalt) a lower percentage (50%); in between lie the 'neutral' eruptive materials. The basic volcanic deposits weather into more fertile soils because of their high calcium, iron and phosphoric acid content. The soils derived from acid eruptiva are rarely directly detrimental to plant growth, but as a group they are inferior to the basic ones. This explains largely the differences in the density of population in the various lowlands of the archipelago.

Volcanism is present in specific areas and absent in others. In some parts of the volcanic zone, acid eruptiva predominate, in others the basic ones. The volcanic zone extends over Sumatra, Java and further eastwards across Bali, Lombok, Sumbawa, Flores and Wetar and in central and north Celebes and the northern Moluccan Islands.

The large islands of Borneo and Dutch New Guinea are devoid of recent volcanic activity, so that it is not surprising to find their broad alluvial plains only sparsely populated. It should be added that their location on or very near the equator gives them a year-round wet, hot climate, conducive to strong soil leaching and a dense forest growth.

Generally speaking, the eruptiva in the western part (Sumatra, West Java) are predominantly acid, while toward the east they are largely basic.

From these general observations it becomes apparent that Java offers a natural environment peculiarly favour-

able for agriculture, in particular for wet rice cultivation. Its soils are far more fertile than those of Borneo and New Guinea and are even better suited than those of volcanic Sumatra. Its rainfall is not of the year-round equatorial type, but has a definite seasonal distribution, although the 'dry monsoon' June-October, is not entirely without precipitation. At any rate, the soil-leaching processes are less pronounced than in the equatorial areas. It is interesting to note that the lowest population density (325 per square mile) is found in the district of Bantam in West Java, where the combination of high rainfall (comparable with nearby Sumatra) and non-volcanic or acid-volcanic parent material, offers less favourable opportunities for human occupancy than elsewhere on Java.

#### Public Health

Government, as well as private, institutions have given more and more attention to this important question, while the population itself is likewise displaying a growing interest in the matter. Hospitals are established in all important towns; in total there are three large Central Government Hospitals situated respectively in Djakarta, Surabaya and Samarang. In addition there are eight provincial hospitals and five municipal institutions. There are eighty-five small Government hospitals and eighty-four private hospitals partly subsidised by the Government.

Mention should be made of the plantation medical service; pre-war there were 219 private hospitals on the various agricultural estates, many of which have been re-equipped.

Imports of pharmaceutical products during 1949 amounted to some £800,000 sterling.

#### Highways

There are more than 33,000 miles of hard-surfaced roads in Indonesia, of which 14,000 are in Java. During the war, roads were badly neglected and re-surfacing is progressing slowly because of the lack of road-building equipment and materials.

#### Electric Power

West Java is the most highly developed as regards the working sources of water power for the general supply of electricity. The light and power works at Djakarta, as well as the electrified railways around Djakarta, are supplied by means of a 70,000 volt line from the Government Power Station, Oubroug, on the Tjijath River at Tijbadak. This station is equipped with two turbo-generator units of 4,500 kw. each. It also supplies Bogor (Buitenzorg) and Sukabumi with electrical energy. Distribution in Djakarta is entrusted to the Indonesian Gas Company and in Bogor and Sukabumi, to the Geboe, a joint public utility company.

A second power station, Kratjak, on the Tjianten, with two units of 5,500 kw. each, is also connected to the system at Bogor.

For the supply of the Bandoeng area, the Government have the following water power plants: Bengkok on the Tjikapundung with 3 units of 1,050 kw. each, Plengon on the Tjisaruwa with 3 units of 1,050 kw. each, and Lamadjan on the Tjisangkoui with 2 units of 6,400 kw. each.

In Central Java, on the Tuntang, is an installation comprising six generating units with a total of 4,000 kw. to supply Samarang and Salatiga.

The Government Power Station at Girinan, on the Tjatour, near Madiouw, is equipped with 2 units of 740 kw. This plant also supplies energy to the Government railway workshops.

In East Java, supplying the provinces of Surabaya Kediri and Passuruan, there is a Power Station at Mengalan on the Konto, which is equipped with 3 units of 5,500 kw. each.

There are a number of private power stations in operation on tea estates, cement works and other industrial enterprises.

For the actual supply of electricity, a 3-phase alternating current of 50 cycles per second is mainly employed. The principal voltages applied are 25,000 to 30,000 volts and 70,000 volts for transmission; 6,000 volts for generation and primary distribution; 220/127 and 190/110 for secondary distribution (for wire system). Direct current is employed only in small private plants and for electrical traction.

There are many projects in preparation for the supply of power in Central Java which should create a substantial demand for power cables.

#### Railways

The network of railways and inter-urban lines in Java had a mileage of 3,355 before the war and the rolling stock consisted of 1,000 locomotives, 2,900 passenger coaches, and 23,000 freight cars. About two-thirds of the land freight was moved by rail, the remainder moving by motortrucks and other vehicles. In Sumatra, the four railway systems had a network of 1,243 miles, with rolling stock consisting of 210 locomotives, 668 passenger coaches and 5,300 freight cars. There are no railroads on the other islands. Whilst considerable rolling stock was lost during the war, services are gradually being restored.

Besides the railways and tramways open to general traffic, the Forest Service as well as many large agricultural enterprises—particularly the sugar industry—have constructed an elaborate network of field railways.

#### Shipping

Before the war, the ocean fleet which served Indonesia number 237 ships with a total capacity of 1,093,000 gross registered tons. While considerably depleted by the war, it is now some 60% of pre-war strength amounting in 1949 to 608,500 tons.

Its inter-island fleet of the Kon. Paketvaart Maatschappij and the Kon. Java China Paketvaart, consisting of some 150 vessels, at 319,000 tons, are still 92,000 tons below the pre-war tonnage.

The tanker fleet was 19,000 tons below 1940 tonnage in 1949, when it amounted to 57,923 gross tons.

For the purpose of developing local coastal traffic, two Indonesian shipping companies have been formed; The South Celebes Shipping Co., and the North Celebes and Moluccan Coastal Shipping Co. The companies maintain a service with a fleet of some 21 ships 'chartered' from the K.P.M. The vessels are each of about 175 gross tons, eight of them being built in Australia and 13 in Holland since the war. The ships are all manned exclusively with Indonesian personnel.

As stated above, the Indonesian shipping companies operate with chartered ships, and although the chief reason for this is lack of capital, it is not necessarily a disadvantage since, should they encounter difficulties, they can cancel the Charter. Furthermore, the owners agree to sell the ships at any time for cost less depreciation, whilst on the other hand no obligation to purchase exists. Thus an Indonesian Mercantile Marine has been created without a large capital risk.

The coastal traffic was formerly a closely guarded preserve of the K.P.M.

#### Ports

The principal ports for international shipping are Tandjung Priok (Djakarta) and Tandjung Perak (Surabaya) at which ocean going vessels can dock. The harbour at Belawan-Deli (Medan) is now also open for ocean traffic. Other important ports in inter-insular trade, which are sometimes ports of call for foreign ships, are Cheribon and Samarang (Java) Macassar (Celebes) Palembang, Padang and Sabang (Borneo) Tandjung Pinang (Riouw).

#### Airports

The Djakarta airport is the centre for both international and domestic air routes. Domestic air service is provided by the Garuda Air Lines which has a network of 13,300 miles in Indonesia, using 28 passenger and 32 passenger-freight, and serving all the commercial centres. Passengers carried amount to some 200,000 and freight 12,000 tons per year.

#### Communication Facilities

The telephone, telegraph, cable and radio facilities are operated by the Indonesian Government Post, Telegraphic and Telephone Service. These facilities were badly damaged during the war a period of from five to ten years will be required to restore them to normal operation. Telephone service in the cities has been partially restored and fair service can be given. The inter-city network is barely operating

## JAPANESE SHIPPING PROBLEMS

By a Japanese Correspondent

Japan's aspiration to carry at least 50 per cent of her exports and imports by her own bottoms is likely to take shape by the end of fiscal 1951 (March 31). By that time, the nation's ocean-going vessels are expected to reach some 600,000 gross tons. Construction work on two large tankers, 23 express freighters and three medium-sized freighters is slated to begin between April and June, this year, under the seventh shipbuilding program. All the medium-sized freighters will be completed by September and many other boats by year-end or next March. Through execution of the series of the Government's ship construction projects—the sixth, the supplementary sixth and the seventh—Japan will be able to have 440,000 to 450,000 gross tons of overseas service vessels by the end of fiscal 1951. Added to this tonnage will be more than 100,000 gross tons of cargo ships to be remodelled from A-type wartime standard vessels, bringing the total of ocean-going ships to some 600,000 gross tons.

The pinch of the shipping shortage began to be felt from last November when Japan was compelled to import such vital commodities as iron ore and coking coal from the United States following the suspension of trade with Communist China. Besides, the international cargo movement became brisk with President Truman's proclamation of a state of national emergency in the United States and the world-wide furor for armaments expansion. This has further deteriorated the nation's shipping dearth since foreign ships serving in Far East waters had returned to their respective homelands. Both the Transportation Ministry and the Economic Stabilization Board estimated the possible monthly space shortage for the first half of the coming fiscal year (April to September) at 1,000,000 gross tons and for the second half (October to next March) at 450,000 gross tons. In view of the situation, the Government thrashed out a comprehensive mea-

sure for strengthening the nation's maritime transportation involving the stepping-up of new boat construction plans, purchasing and chartering of foreign bottoms, salvaging of sunken vessels.

Reports about Japan's bulk purchase of used foreign vessels had spurred old ship quotations on the shipping market in London. For instance, a Liberty ship once quoted at \$400,000 last November has now soared to US\$800,000. Yet the price of \$800,000 is cheaper than the construction cost of a new boat (a used boat price will be Y200-300 million against a new boat's Y800-1,000 million) and Japanese shipowners finally obtained GHQ authorization on the purchase of 25 used vessels. Though they have thus succeeded in obtaining foreign currency allocations for the purchase, a question has arisen how to acquire necessary domestic funds. City banks are afraid to advance money, because buying used boats without seeing them involves many risks. Moreover, most ships wanted by Japanese shipowners are more than 30 to 40 years old. It is doubtful whether these ships could be put into commission in the Pacific. Such being the case, the Government is warning shipowners not to purchase too many used vessels.

But it is not easy to charter foreign vessels on account of the complexity in settling charterage. Shipowners have so far succeeded in chartering only four or five foreign ships. With the unfavorable purchasing and chartering conditions, shipowners have been obliged to concentrate upon the construction of new boats. This was the reason why construction tonnage under their application pursuant to the seventh shipbuilding program reached 350,000 gross tons against the program's initial building batch of 200,000 gross tons. Difference of opinions occurred between small and big shipowners on detailed policy for the execution of the seventh program. Large shipping concerns contended that permission should be given first to their new ship construction programs and then to those of small and medium-sized shipowners if there are still funds to spare. They also argued that consideration should be given first to the construction of high-speed cargo ships for regular service and then to that of low-speed boats if there is a surplus fund.

Smaller shipowners, on the other hand, demanded an even opportunity for rehabilitating the nation's maritime transportation through such a national fund as the US aid counterpart fund. Moreover, they said that Japan badly needed trampers capable of hauling large quantities of cargoes. They insisted that top priority be given to the construction of low-speed boats which are cheaper than high-speed boats and which can be built more quickly than the latter. The Transportation Ministry seemed to have concluded March 17 that top priority be given to the construction of express freighters and counterpart loans made to those shipowners who have never received them before. Each of the four biggest shipping concerns such as NYK, OSK, Mitsui and Iino has been permitted to build two new express freighters to be assigned to the New York route. Seven smaller shipping companies which had applied for construction of two new ships each, have their demand cut to one.

The initial construction batch under the seventh shipbuilding program comprised 16 Diesel and 12 turbine boats many of which will develop speed higher than those built under the fifth and sixth programs. The two large-sized freighters OSK ordered from the Naka Nippon Heavy Industry company under the seventh program will have a 10,000 horse-power engine with a speed of 17.5 knots. This is the highest speed boat to be built in this country since the ter-

mination of the war. All ships to be constructed by NYK and Mitsui will be able to gather 16 knots. There will be five other freighters capable of 15 knots. The biggest cost of a large-sized freighter will be Y1,140 million or Y120,000 per ton. By the end of the coming fiscal year, there will be a total of 10 tankers including six 12,000 tonners built under the fifth shipbuilding program, two of the same type under the sixth program and additional two under the seventh program.

Ships being used for import trade numbered 132 or 1,167,000 tons as of March 10. The tonnage is a three-fold increase of the total before the Korean flareup. Freighters of 2,000 tons used for coastal transportation are used to import goods. Japanese ships on foreign routes include (as of March 10) 24 for the Philippines, 16 for India, 34 for the United States, 10 for Thailand, five for the Okinawas, four for South America and other countries.

Shipping activity along the Japan sea coast is being hit by the rising number of mines drifting down from the north and floating since the last war. Records show that with increasing reports of floating mines, ship entries in Niigata harbor dropped from 39 in December to 24 in January, 12 in February. Mines discovered were nine in December, 10 in January, 31 in February and 35 up to mid-March. As a result of floating mines, production costs have zoomed up for overland transportation is being used far more than before.

## POLITICAL REPORT FROM TOKYO

Local elections are to be held in late April. Candidates are delivering several speeches a day; their backers and hired hands are doing likewise on platforms and streets and in public squares through loudspeakers and megaphones. The current election campaigns have brought to public attention a deepening rift between the orthodox and internationalist factions of the Japan Communist party. The party leadership defiantly announced that three internationalist candidates for governors have no relations with the Communists, branding them "cat's paws of imperialists." Political observers expect that the one-year-old feud between the two Red factions will climax during the current election campaigns. These are the platforms of the various parties:—

(1) Peace:—Liberal (861 seats in the Diet): an early peace, complete independence, and participation in the United Nations. Peoples Democrat (107 seats): conclusion of a majority peace pact assuring Japan's safety and economic self-support. Japan Socialist (94 seats): an overall peace promising independence and economic self-support for Japan, and no lease of military bases and no rearmament. Communist (29 seats): an overall peace through cooperation and agreement among the "Big Four" nations based on the Potsdam Declaration. (2) National Security:—Liberal: collective security by the United Nations, first by its forces to be stationed in Japan and later by Japan's participation in the world organization. Peoples Democrat: an early participation in UN. If a collective security system should be established, Japan will take part. Japan Socialist: peace through maintenance of neutrality, participation in UN without revising the war-renouncing Constitution to seek collective security. Communist: opposition to rearmament, and conclusion of a peace pact with the "Big Four" nations.

(3) Small Business Policy:—Liberal: improvement of small business finance through utilization of Government funds. Peoples Democrat: equal distribution of special procurement and export

and is linked with the radio-telephone service. International telephone connection and cable services are available and adequate.

### Banking

In addition to the Java Bank, which is a bank of issue for Indonesia, there are several Dutch, British and Chinese banks which offer ample general banking facilities. The Java Bank, the Factorij branch of the Nederlandsche Handel Mij., the Nederlandsche Indische Handelsbank and the Nederlandsche Indische Excompte Mij., maintain a network of branch banks throughout the archipelago. In addition, credit facilities for the farmer and small merchant are provided by the Government's General Popular Credit Bank and savings facilities are offered by the Postal Savings Bank, both with branches in all areas.

### Insurance

The Dutch insurance market has always covered an important percentage of Indonesian insurance. Before the war more than 70 insurance companies were operating in Indonesia, mostly Dutch, British, Australian and New Zealand companies. Many of these have resumed operations. The companies have for some years followed the practice of excluding the risks of riot and civil commotion from all policies.

## HONGKONG'S PRINCIPAL TRADING PARTNERS IN SEPTEMBER 1950

During September 1950 Hongkong's trade with other countries was valued at \$801.3 million; imports amounted to \$388.5 million and exports to \$432.8 million, giving a favourable balance of \$64.3 million. (See "Far Eastern Economic Review" No. 22 of November 30, 1950, page 661).

Details of trade with the principal countries dealing with the Colony are given below and on the pages following. Values are in Hongkong dollar millions (16 to £ and \$5.80 to US\$); Imports refer to imports into Hongkong and exports to goods despatched abroad. The figures in brackets refer to the trade for August, which was covered in the Review of March 15, No. 11 (page 330). Values are in HK\$ millions.

### United Kingdom

Imports .....	\$32.94	(\$27.55)
Exports .....	\$11.91	(\$12.66)
Import Excess ...	\$11.03	(\$41.89)

demands among impoverished businesses. Japan Socialist: modernization of small business through utilization of the Finance Ministry's trust funds and US aid counterpart funds. Communist: diversion of funds and materials from war industries to small business. (4) Labor Policy:—Liberal: increase of wages in proportion to labor efficiency, improvement of actual wages through tax reductions. Peoples Democrat: improvement of employment conditions, equal opportunity for job seekers. Japan Socialist: upward revision of the wage-base for public servants (immediate enforcement of the Y12,000 base from the present), establishment of a minimum wage system. Communist: opposition to the wage-system based on a colonial job-classification system.

(5) Local Administration:—Liberal: drastic readjustment and simplification of administrative business. Peoples Democrat: drastic readjustment of business of local entities and their jurisdiction. Japan Socialist: reinforcement and democratization of local entities and elimination of "bosses" and bureaucrats. Communist: opposition to a local administrative set-up similar to that in colonies. Education and Social Security:—Liberal: strict enforcement of the 6-3 educational system, wide marginal increase in scholarship funds and free distribution of primary school text books. Peoples Democrat: strict enforcement of the 6-3 educational system, expansion of the compulsory educational system, maintenance of a minimum living standard, improvement of the medical system and unemployment insurance. Japan Socialist: establishment of educational finances through increased disbursement of educational funds from the state coffers and adoption of four welfare systems of state medicine, popular annuity, employment security and social welfare. Communist: reconstruction of war-damaged school buildings, establishment of independent education and enforcement of social welfare work.

Japanese political and economic circles generally hailed the outline of the American draft of a Japanese peace treaty revealed by US Presidential envoy John Foster Dulles in his Los Angeles speech. Circles close to the Foreign Office believed a treaty might be signed as early as in July. The Liberals, the Government party, expressed gratitude over the US intention to

Main imports: Textile fabrics & small wares \$5.66 (\$4.56), yarns & threads \$2.67 (\$2.07), machinery, apparatus & appliances \$3.31 (\$3.13), electrical machinery, apparatus & appliances \$2.54 (\$2.22), sugar & sugar confectionery \$1.68 (\$1.52), tobacco \$1.12 (\$1.26), chemical elements & compounds and pharmaceutical products \$3.57 (\$1.30), dyeing & colouring substances \$1.22 (\$513,900), clothing & underwear of textile materials \$1.24 (\$1.17), iron & steel \$1.79 (\$1.27), non-ferrous base metals \$1.72 (\$1.22), manufactures of base metals \$1.31 (\$1.29), vehicles & transport equipment \$1.19 (\$1.36).

Main exports: Vegetable oils \$5.01 (\$6.02), textile fabrics & small wares \$1.21 (\$614,000), miscellaneous crude or simply prepared products \$1.23 (\$1.97).

Exports of silver were valued at \$1.04 (\$2.71).

conclude peace on equal terms with Japan. They voiced satisfaction with the proposed terms concerning Japan's territorial possessions which did not exceed those set forth in the instrument of surrender. The Democrats, the largest opposition, said the Japanese people will be satisfied with the American draft proposal to restore complete sovereignty to Japan and give security guarantees under the UN charter. The Socialists said they wanted an overall peace although Dulles stated that Soviet participation was not indispensable.

Economic circles were especially grateful over the opposition made clear by Dulles to reparations from Japan. They stressed it is imperative for Japan to get continued US economic aid even after the peace treaty until this country attains self-supporting economy. They saw the necessity of realizing US-Japan economic cooperation even prior to the conclusion of a peace treaty to avoid a possible "economic vacuum" following the treaty. They expected US will help Japan conclude trade and navigation pacts and most-favored-nation agreements with liberal nations. They wanted no restrictions on Japan's industry which is still at a low level. They agreed with Dulles that Japan does not need a big army because her economy cannot afford it. Nevertheless, they believed Japan should not spare any effort within its power to defend itself through cooperation with the United States. Teizo Horikoshi, managing director of the Federation of Economic Organizations, asked for a little more consideration of Japanese sentiments about territory.

Editorials in general hailed the Dulles peace plan as aiming at an early reconciliation between the Allied powers and Japan. The Yomiuri expressed hope that 1) no unjust conditions be attached to the treaty, taking advantage of Japan's weak position, 2) the peace be concluded on the basic principle of reasoning and justice and 3) the peace be made the starting point for establishment of ever-lasting and trustful relations between the parties concerned. The Mainichi called on the people to accept the American peace terms. The Asahi added that what matters is not the peace formula but whether the purpose of the peace will be carried out faithfully. Other editorials stressed that the peace should be signed on the basis of reconciliation and trust.

China, Central		
Imports .....	\$25.23	(\$11.39)
Exports .....	\$33.27	(\$28.28)
Export Excess ...	\$ 8.04	(\$16.89)

Main imports: Sugar \$18.67 (\$5.00), tea \$1.63 (\$1.29), textile fabrics & small wares \$1.82 (\$1.62).

Main exports: Manufactured products of cereals \$1.42 (\$2.45), vegetable \$1.86 (\$2.25), feeding stuffs for animals \$2.32 (\$2.21), chemicals & pharmaceuticals \$3.56 (\$3.30), fertilizers \$6.33 (\$4.35), rubber & manufactures \$1.07 (\$314,700), paper \$1.65 (\$647,900), textile fabrics & small wares \$8.87 (\$3.54), iron & steel \$1.08 (\$553,400).

### China, North

Imports .....	\$29.53	(\$22.59)
Exports .....	\$74.18	(\$45.08)
Export Excess ...	\$44.65	(\$23.22)

Main imports: Eggs \$1.58 (\$1.80), vegetables \$2.87 (\$2.15), feeding stuffs for animals \$1.75 (\$889,800), oil-seeds, nuts & kernels \$3.87 (\$2.41), vegetable oils \$2.38 (\$2.72), chemicals & pharmaceuticals \$1.79 (\$981,700), textile materials, raw or simply prepared \$1.29 (\$111,000), textile fabrics & small wares \$5.27 (\$2.84), miscel. crude or simply prepared products \$1.96 (\$2.51).

Main exports: Sugar \$6.99, chemicals & pharmaceuticals \$8.97 (\$3.64), dyes \$4.72 (\$4.59), textile materials, raw or simply prepared \$22.51 (\$1.16), made-up articles of textile materials other than clothing \$1.05 (\$5.53), rubber & manufactures thereof \$7.79 (\$12.68), paper \$1.98 (\$562,000), iron & steel \$6.62 (\$8.21), non-ferrous base metals \$4.49 (\$2.79), manufactures of base metals \$1.08 (\$570,000), machinery & appliances \$1.87 (\$1.51), vehicles & transport equipment \$1.55 (\$635,000), manufactured articles \$1.16 (\$272,000).

### China, South

Imports .....	\$54.72	(\$42.23)
Exports .....	\$66.41	(\$39.42)
Export Excess ...	\$11.69	

Import Excess ... (\$ 2.81)

Main imports: Live animals \$3.24 (\$3.04), eggs \$2.11 (\$1.12), cereals \$3.88 (\$728,000), vegetables \$3.55 (\$1.77), oil-seeds, nuts & kernels \$1.89 (\$1.41), vegetable oils \$23.23 (\$22.37), textile materials, raw or simply prepared \$2.49 (\$1.75), yarns & threads \$1.39 (\$665,000), textile fabrics & small wares \$2.96 (\$1.49), miscel. crude or simply prepared products \$5.29 (\$4.11).

Main exports: Chemicals & pharmaceuticals \$14.98 (\$10.08), sugar \$1.97 (\$2.37), dyes \$6.87 (\$4.42), rubber \$24.19 (\$7.31), iron & steel \$6.61 (\$3.85), non-ferrous base metals \$2.08 (\$726,000), manufactures of base metals \$1.71 (\$1.00), electrical machinery \$1.09 (\$640,700), vehicles & transport equipment \$1.14 (\$765,000),

**Macao**  
 Imports ..... \$ 9.33 (\$10.06)  
 Exports ..... \$14.86 (\$13.44)  
 Export Excess ... \$ 553 (\$ 3.38)

Main imports: Vegetables \$1.13 (\$1.56), miscel. crude or simply prepared products \$1.20 (\$1.84), manufactured articles \$2.75 (\$2.13).

Imports of silver amounted in value to \$147,264 (\$281,639).

Main exports: Chemicals & pharmaceuticals \$1.95 (\$2.07), fertilizers \$1.66 (\$866,000), products for heating, lighting & power \$762,000 (\$1.98, textile fabrics & small wares \$677,000 (\$354,000).

**Malaya**  
 Imports ..... \$44.36 (\$19.96)  
 Exports ..... \$60.70 (\$49.39)  
 Export Excess ... \$12.34 (\$29.41)

Main imports: Rubber \$88.94 (\$12.19), textile fabrics & small wares \$1.22 (\$2.85), miscel. crude & simply prepared products \$992,000 (\$650,000).

Main exports: Dairy products \$1.28 (\$774,000), fishery products \$1.80 (\$952,000), fruits & nuts \$1.25 (\$1.22), vegetables \$2.67 (\$2.99), sugar \$1.91 (\$736,000), tobacco \$1.52 (\$1.28), chemicals & pharmaceuticals \$1.30 (\$1.14), paper \$1.63 (\$2.18), textile fabrics & small wares \$15.62 (\$11.87), clothing & underwear of textile materials \$7.55 (\$5.56), made-up articles of textile materials other than clothing \$1.08 (\$1.26), iron & steel \$1.37 (\$265,000), manufactures of base metals \$3.33 (\$2.52), miscel. crude or simply prepared products \$2.37 (\$6.82).

**Japan**  
 Imports ..... \$25.88 (\$19.00)  
 Exports ..... \$10.31 (\$ 5.97)  
 Import Excess ... \$15.57 (\$13.03)

Main imports: Fishery products \$2.16 (\$2.62), vegetables \$1.47 (\$1.00), fertilizers \$1.33 (\$1.00), textile fabrics & small wares \$11.66 (\$8.22), iron & steel 1.30 (\$793,000).

Main exports: Hides & skins \$1.34 (\$738,000), textile materials, raw or simply prepared \$2.05 (\$1.79), yarns & threads \$1.90 (\$26,000), textile fabrics & small wares \$1.97 (\$1.09).

**Thailand**  
 Imports ..... \$24.07 (\$15.65)  
 Exports ..... \$ 9.56 (\$18.45)  
 Import Excess ... \$14.51 ...  
 Export Excess ... ... (\$ 2.80)

Main Imports: Cereals \$18.22 (\$11.73), oil-seeds, nuts & kernels \$1.14, oils & fats \$1.15 (\$1.10), hides & leather \$1.55 (\$642,000).

Main exports: Textile fabrics & small wares \$3.2 (\$4.03), chemicals & pharmaceuticals \$590,000 (\$2.17), yarns & threads \$719,000 (\$4.79), products for heating & lighting \$587,000 (\$577,000).

## HONGKONG'S PRINCIPAL TRADING PARTNERS

### TOTAL VALUES OF IMPORTS & EXPORTS BY COUNTRIES FOR THE MONTH OF SEPTEMBER 1950

UNITED KINGDOM			
Articles	Imports	Exports	
	\$	\$	
Meat & preparations thereof	11,050	80	
Dairy products, eggs and honey	71,640	22,800	
Fishery products, for food	53,774	700	
Manufactured products of cereals, chiefly for human food	124,824	660	
Fruits and nuts, except oil-nuts	35,951	—	
Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s.	24,021	805,500	
Sugar & sugar confectionery	1,677,431	—	
Coffee, tea, cocoa and preparation thereof; spices	231,815	551,981	
Beverages and vinegars	405,888	—	
Tobacco	1,119,334	—	
Animal & vegetable oils, fats, greases & waxes & their manufactures, n.e.s.	2,082	5,011,178	
Chemical elements & compounds; pharmaceutical products		8,571,178	813,747
Dyeing, tanning & colouring substances (not including crude materials)		1,222,631	18,251
Essential oils, perfumery, cosmetics, soaps & related products		265,977	107,767
Rubber and manufactures thereof, n.e.s.		456,187	—
Wood, cork & manufactures thereof		41,782	1,250
Pulp, paper and cardboard and manufactures thereof		607,449	—
Hides and skins and leather		88,729	293,079
Manufactures of leather, not including articles of clothing		14,972	—
Textile materials, raw or simply prepared		23,986	910,873
Yarns and threads		2,667,197	—
Textile fabrics and small wares		5,662,945	1,206,807
Special and technical textile articles		368,972	—

Exports of silver amounted to \$259,900 (\$53,500).

**Indonesia**  
 Imports ..... \$ 6.21 (\$ 7.27)  
 Exports ..... \$13.04 (\$11.02)  
 Export Excess ... \$ 4.83 (\$ 3.75)

Main imports: Chemicals & pharmaceuticals \$1.09 (\$157,000), products for heating & lighting \$3.39 (\$6.46), rubber \$730,000 (\$220,000), miscel. crude or simply prepared products \$856,500 (\$240,000).

Main exports: Paper \$1.03 (\$956,000), yarns & thread \$1.19 (\$4.31), textile fabrics & small wares \$5.93 (000), yarns & threads \$1.19 (\$4.31), (\$1.86), clothing & underwear of textile materials \$1.5 (\$1.13), manufactured articles \$1.08 (\$573,000), manufactures of base metals \$938,000 (\$290,000).

**U. S. A.**  
 Imports ..... \$49.82 (\$47.75)  
 Exports ..... \$33.50 (\$42.55)  
 Import Excess ... \$16.32 (\$ 5.20)

Main imports: Fruits & nuts \$2.63 (\$2.36), tobacco \$4.49 (\$6.11), chemicals & pharmaceuticals \$14.8 (\$13.84), dyes \$1.19 (\$328,000), fertilizers \$1.7 (\$452,000), paper \$1.08 (\$961,000), textile materials, raw or simply prepared \$2.69 (\$1.61), textile fabrics & small wares \$1.55 (\$1.85), products for heating & lighting, lubricants, etc. \$1.33 (\$630,000), iron & steel \$2.08 (\$961,000), manufactures of base metals \$1.25 (\$2.5), machinery \$2.59 (\$3.62), electrical machinery \$1.06 (\$802,000), manufactured articles \$5.46 (\$3.31).

Main exports: Vegetable oils \$14.92 (\$29,700), textile fabrics & small wares \$2.80 (\$1.86), miscel. crude or simply prepared products \$7.08 (\$10.12), manufactured articles \$3.53 (\$4.24), vegetables \$886,000 (\$2.1),

tea \$613,000 (\$1.16), hides \$574,000 (\$230,000).

Imports of silver from the U.S.A. were valued at \$6,600 (nil); exports of silver amounted to \$1.65 (\$4,000).

### OTHER COUNTRIES

Outstanding items are given below of HK's trade with certain countries that are not included in the accompanying tables:

**Australia.** Imports \$4.04 (\$2.64), exports \$1.87 (\$3.79). Main imports: Meat \$1.29 (\$555,000), chemicals & pharmaceuticals \$558,500 (\$184,000); dairy products \$867,800 (\$547,000). Main exports: Textile fabrics & small wares \$519,000 (\$806,000), vegetable oils \$345,600 (\$682,600).

**Czechoslovakia.** Imports \$362,000 (\$1.04), exports nil. Main imports: Paper \$97,476 (\$226,900), chemicals \$70,900 (\$54,500).

**Germany.** Imports \$2.86 (\$2.96), exports \$9.04 (\$3.33). Main imports: Iron & steel \$848,700 (\$1.69), dyes \$709,000 (\$161,000), chemicals & pharmaceuticals \$338,000 (\$271,000). Main exports: Eggs \$1.62 (\$604,000), oilseeds, nuts & kernels \$2.33 (\$333,000), chemical products \$1.15 (\$394,000), miscel. crude or simply prepared products \$1.79 (\$1.2).

**Netherlands.** Imports \$3.13 (\$3.17), exports \$5.26 (\$2.65). Main imports: Dairy products \$1.12 (\$1.45), chemicals \$680,000 (\$387,000), iron & steel \$563,000 (\$205,000). Main exports: Oil-seeds, nuts & kernels \$1.92 (\$254,000), vegetable oils \$2.29 (\$50,500).

**Switzerland.** Imports \$6.4 (\$4.76), exports \$47,000 (\$306,000). Main imports: Manufactured articles \$4.87 (\$3.64), dyes \$853,000 (\$312,000).

Clothing and underwear of textile materials; hats of all materials .....	1,237,055	421,201	Made-up articles of textile materials other than clothing .....	161,329	—	Products for heating, lighting & power, lubricants & related products, n.e.s. ..	5,355 133,463	
Clothing of leather and fur .....	6,769	—	Products for heating, lighting & power, lubricants & related products, n.e.s. ..	934,571	—	Non-metallic minerals, crude or simply prepared, n.e.s. ..	— 73,953	
Footwear: boots, shoes and slippers .....	71,589	538,614	Glass and glassware .....	— 2,551	—	Pottery and other clay products .....	2,500 92,159	
Made-up articles of textile materials other than clothing .....	79,471	54,840	Manufactures of base metals, n.e.s. .....	— 434,076	—	Glass and glassware .....	65,276 390,066	
Products for heating, lighting & power, lubricants & related products, n.e.s. ..	73,262	—	Machinery, apparatus and appliances other than electrical, n.e.s. .....	— 20,100	—	Manufactures of non-metallic minerals, n.e.s. .....	8,010 15,917	
Non-metallic minerals, crude or simply prepared, n.e.s. ..	94,820	—	Electrical machinery, apparatus and appliances .....	— 11,550	—	Precious metals & precious stones, pearls & articles made of these materials ..	— 237,248	
Pottery and other clay products .....	138,904	18,190	Vehicles and transport equipment, n.e.s. .....	— 6,000	—	Ores, slag, cinder .....	7,500 —	
Glass and glassware .....	144,360	700	Miscellaneous crude or simply prepared products, n.e.s. .....	— 22,977 38,151	—	Iron and steel .....	206,798 1,368,578	
Manufactures of non-metallic minerals, n.e.s. .....	60,781	—	Manufactured articles, n.e.s. .....	— 29,915 11,415	—	Non-ferrous base metals .....	214,764 32,839	
Precious metals & precious stones, pearls & articles made of these materials ..	27,531	6,995	Total .....	6,081,951 2,943,152	—	Manufactures of base metals, n.e.s. .....	270,296 3,382,403	
Ores, slag, cinder .....	2,540	27,093	MALAYA (British)			Machinery, apparatus and appliances other than electrical, n.e.s. .....	— 610,473	
Iron and steel .....	1,787,787	—	Articles	Imports	Exports	Electrical machinery, apparatus and appliances .....	19,793 721,695	
Non-ferrous base metals .....	1,718,170	87,127	Dairy products, eggs and honey .....	4,256	138,470	Vehicles and transport equipment, n.e.s. .....	12,812 515,557	
Manufactures of base metals, n.e.s. .....	1,807,278	386,543	Fishery products, for food .....	157,191	1,802,852	Miscellaneous crude or simply prepared products, n.e.s. .....	991,842 2,374,070	
Machinery, apparatus and appliances other than electrical, n.e.s. .....	8,309,471	—	Cereals .....	4,770	28,910	Manufactured articles, n.e.s. .....	20,234 8,655,171	
Electrical machinery, apparatus and appliances .....	2,544,714	139,515	Manufactured products of cereals, chiefly for human food .....	— 19,500	119,221	NORTH BORNEO (British)		
Vehicles and transport equipment, n.e.s. .....	1,193,618	34,500	Fruits and nuts, except oil-nuts .....	36,026	1,255,135	Articles	Imports	Exports
Miscellaneous crude or simply prepared products, n.e.s. .....	14,933	1,231,172	Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. .....	— 189,706	2,670,750	Meat & preparations thereof .....	— 2,103	
Manufactured articles, n.e.s. .....	429,065	279,212	Sugar & sugar confectionery .....	— 1,911,788	—	Dairy products, eggs and honey .....	— 7,791	
Total Merchandise .....	32,944,623	11,910,386	Coffee, tea, cocoa and preparations thereof; spices .....	199,158	786,745	Fishery products, for food .....	65,029 15,149	
Gold and specie .....	—	1,043,455	Beverages and vinegars .....	84,948	396,374	Manufactured products of cereals, chiefly for human food .....	— 94,874	
Grand Total .....	32,944,623	12,953,821	Feeding stuffs for animals, n.e.s. .....	— 147,719	—	Fruits and nuts, except oil-nuts .....	18,850 25,619	
INDIA	Articles	Imports	Exports			Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. .....	— 23,269 28,632	
Meat & preparations thereof .....	65,806	—	Tobacco .....	— 1,521,324	—	Sugar & sugar confectionery .....	— 67,713	
Dairy products, eggs and honey .....	—	12,137	Oil-seeds, nuts & kernels .....	14,375	115,678	Coffee, tea, cocoa and preparations thereof; spices .....	— 11,893	
Fishery products, for food .....	—	660	Animal & vegetables oils, fats, greases & waxes & their manufactures, n.e.s. .....	546,000	397,414	Beverages and vinegars .....	— 18,596	
Fruits and nuts, except oil-nuts .....	89,342	—	Chemical elements & compounds; pharmaceutical products .....	54,709	1,803,537	Feeding stuffs for animals, n.e.s. .....	— 166	
Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. .....	—	89,535	Dyeing, tanning & colouring substances (not including crude materials) .....	20,847	380,112	Tobacco .....	— 624,712	
Sugar & sugar confectionery .....	—	256	Essential oils, perfumery, cosmetics, soaps & related products .....	216,680	466,850	Oil-seeds, nuts and kernels .....	— 304	
Coffee, tea, cocoa and preparations thereof; spices .....	398	—	Rubber and manufactures thereof, n.e.s. .....	38,987,228	54,962	Animal & vegetables oils, fats, greases & waxes & their manufactures, n.e.s. .....	— 1,080 10,081	
Tobacco .....	16,600	—	Wood, cork & manufactures thereof .....	635,073	101,386	Chemical elements & compounds; pharmaceutical products .....	— 30,801	
Animal & vegetables oils, fats, greases & waxes & their manufactures, n.e.s. .....	51,982	142,498	Pulp, paper and cardboard and manufactures thereof .....	— 1,634,529	—	Dyeing, tanning & colouring substances (not including crude materials) .....	— 175	
Chemical elements & compounds; pharmaceutical products .....	—	180,620	Hides and skins and leather Manufactures of leather, not including articles of clothing .....	178,825	13,370	Essential oils, perfumery, cosmetics, soaps & related products .....	— 10,260	
Dyeing, tanning & colouring substances (not including crude materials) .....	187,759	7,125	Textile materials, raw or simply prepared .....	— 8,000	170,609	Rubber and manufactures thereof, n.e.s. .....	— 171,762	
Essential oils, perfume, cosmetics, soaps & related products .....	3,250	2,275	Yarns and threads .....	— 3,274	37,400	Wood, cork & manufactures thereof .....	— 540,984 8,584	
Rubber and manufactures thereof, n.e.s. .....	9,168	—	Textile fabrics and small wares .....	1,222,252	15,618,587	Pulp, paper and cardboard and manufactures thereof .....	— 26,221	
Wood, cork & manufactures thereof .....	39,400	1,488	Special and technical textile articles .....	— 601,543	—	Hides and skins and leather Manufactures of leather, not including articles of clothing .....	— 41,546	
Pulp, paper and cardboard and manufactures thereof .....	—	18,901	Clothing and underwear of textile materials; hats of all materials .....	8,400	7,551,558	Textile materials, raw or simply prepared .....	— 36,626	
Hides & skins & leather .....	—	13,359	Footwear: boots, shoes and slippers .....	— 3,274	—	Textile fabrics and small wares .....	— 106	
Textile materials, raw or simply prepared .....	58,083	1,984,636	Made-up articles of textile materials other than clothing .....	— 1,079,436	—	Special and technical textile articles .....	— 253,138	
Yarns and threads .....	3,423,381	—	Total .....	—	—	— 1,004		
Textile fabrics and small wares .....	903,328	—						
Special and technical textile articles .....	84,662	—						

			BURMA		Chemical elements & compounds; pharmaceutical products		
	Articles	Imports	Exports				
Clothing and underwear of textile materials; hats of all materials .....	—	73,735				129,673 3,557,080	
Footwear: boots, shoes and slippers .....	—	3,184	Manufactured products of cereals, chiefly for human food .....	—	Dyeing, tanning & colouring substances (not including crude materials) .....	695,792	
Made-up articles of textile materials other than clothing .....	—	18,335	Fruits and nuts, except oil-nuts .....	—	Essential oils, perfume, cosmetics, soaps & related products .....	127,107 155,040	
Products for heating, lighting & power, lubricants & related products, n.e.s. ..	—	1,191	Tobacco .....	—	Fertilizers .....	6,331,369	
Non-metallic minerals, crude or simply prepared, n.e.s. ..	—	48,193	Chemical elements & compounds; pharmaceutical products .....	—	Rubber and manufactures thereof, n.e.s. .....	1,072,784	
Pottery and other clay products .....	—	4,826	Dyeing, tanning & colouring substances (not including crude materials) .....	—	Wood, cork & manufactures thereof .....	14,813 125,666	
Glass and glassware .....	—	10,633	Essential oils, perfume, cosmetics, soaps & related products .....	—	Pulp, paper and cardboard and manufactures thereof .....	330,208 1,650,013	
Manufactures of non-metallic minerals, n.e.s. .....	—	3,861	Pulp, paper and cardboard and manufactures thereof .....	—	Hides and skins and leather Manufactures of leather, not including articles of clothing .....	42,553 307,320	
Iron and steel .....	—	592	Textile materials, raw or simply prepared .....	—	Textile materials, raw or simply prepared .....	2,500 6,000	
Manufactures of base metals, n.e.s. .....	1,000	68,295	Textile fabrics and small wares .....	—	Textile materials, raw or simply prepared .....	64,450 458,225	
Machinery, apparatus and appliances other than electrical, n.e.s. .....	1,000	78,369	Special and technical textile articles .....	—	Yarns and threads .....	— 541,084	
Electrical machinery, apparatus and appliances ..	—	6,200	Clothing and underwear of textile materials; hats of all materials .....	—	Textile fabrics and small wares .....	1,818,188 3,869,933	
Vehicles and transport equipment, n.e.s. .....	—	8,200	Footwear: boots, shoes and slippers .....	—	Special and technical textile articles .....	75,086 89,009	
Miscellaneous crude or simply prepared products, n.e.s. .....	18,404	48,588	Pottery and other clay products .....	—	Clothing and underwear of textile materials; hats of all materials .....	55,558 229,690	
Manufactured articles, n.e.s. .....	—	41,822	Glass and glassware .....	—	Footwear: boots, shoes and slippers .....	— 75,459	
Total Merchandise .....	867,599	1,705,940	Precious metals & precious stones, pearls & articles made of these materials .....	6,823	Made-up articles of textile materials other than clothing .....	13,131 89,415	
Gold and specie .....	—	1,216	Manufactures of base metals, n.e.s. .....	—	Products for heating, lighting & power, lubricants & related products, n.e.s. .....	100,000 921,546	
Total .....	867,599	1,707,156	Machinery, apparatus and appliances other than electrical, n.e.s. .....	—	Non-metallic minerals, crude or simply prepared, n.e.s. .....	— 46,265	
PAKISTAN			Machinery, apparatus and appliances other than electrical, n.e.s. .....	—	Pottery and other clay products .....	87,746 4,333	
Articles	Imports	Exports	Electrical machinery, apparatus and appliances ..	—	Glass and glassware .....	— 120,758	
Manufactured products of cereals, chiefly for human food .....	—	112	Vehicles and transport equipment, n.e.s. .....	—	Manufactures of non-metallic minerals, n.e.s. .....	1,630 5,593	
Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. .....	—	11,000	Miscellaneous crude or simply prepared products, n.e.s. .....	—	Iron and steel .....	— 1,078,946	
Coffee, tea, cocoa and preparations thereof; spicess .....	—	9,803	Manufactured articles, n.e.s. .....	—	Non-ferrous base metals .....	— 408,442	
Chemical elements & compounds; pharmaceutical products .....	—	11,443	Total .....	65,905 2,386,288	Manufactures of base metals, n.e.s. .....	13,880 647,193	
Dyeing, tanning & colouring substances (not including crude materials) .....	—	8,073	CHINA, CENTRAL		Machinery, apparatus and appliances other than electrical, n.e.s. .....	— 103,344	
Pulp, paper and cardboard and manufactures thereof .....	—	118,210	Articles	Imports	Electrical machinery, apparatus and appliances ..	—	
Textile materials, raw or simply prepared .....	13,414,043	22,750	Live animals, chiefly for food .....	1,890	Vehicles and transport equipment, n.e.s. .....	—	
Yarns and threads .....	—	14,546,277	Meat & preparations thereof .....	—	Miscellaneous crude or simply prepared products, n.e.s. .....	—	
Textile fabrics and small wares .....	—	1,699,571	Dairy products, eggs and honey .....	91,258 573,218	Manufactured articles, n.e.s. .....	460,754 714,947	
Clothing and underwear of textile materials; hats of all materials .....	—	167,740	Fishery products, for food .....	3,700 700	Total .....	25,229,702 33,266,708	
Pottery and other clay products .....	—	24,620	Cereals .....	51,380 301,629	CHINA, NORTH		
Manufactures of base metals, n.e.s. .....	—	166,612	Manufactured products of cereals, chiefly for human food .....	9,140 1,424,692	Articles	Imports	Exports
Machinery, apparatus and appliances other than electrical, n.e.s. .....	—	23,390	Sugar & sugar confectionery .....	18,673,746 29,525	Meat & preparations thereof .....	110,490	—
Electrical machinery, apparatus and appliances .....	—	12,414	Coffee, tea, cocoa and preparations thereof; spicess .....	1,630,554 29,475	Dairy products, eggs and honey .....	1,578,790	—
Miscellaneous crude or simply prepared products, n.e.s. .....	—	315,404	Beverages and vinegars .....	40,000 17,458	Fishery products, for food .....	146,317	—
Manufactured articles, n.e.s. .....	—	1,063,219	Feeding stuffs for animals, n.e.s. .....	24,391 2,324,556	Cereals .....	958,495	—
Total .....	13,414,043	18,190,151	Tobacco .....	299,736	Manufactured products of cereals, chiefly for human food .....	607,176	—
			Oil-seeds, nuts & kernels .....	22,307 723,884	Fruits and nuts, except oil-nuts .....	588,802	—
			Animal & vegetable oils, fats, greases & waxes & their manufactures, n.e.s. .....	486,335 914,265	Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. .....	2,873,664 17,580	
					Surar & sugar confectionery .....	— 6,995,824	
					Coffee, tea, cocoa and preparations thereof; spicess .....	300 140,980	
					Deggies and vinegars .....	365,950	—
					Feeding stuffs for animals, n.e.s. .....	1,745,842	—

Tobacco .....	41,736	—	Fruits and nuts, except oil-nuts .....	478,987	13,451	Manufactured products of cereals, chiefly for human food .....	250	18,750
Oil-seeds, nuts & kernels .....	3,866,998	—	Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. .....	8,553,725	5,159	Fruits and nuts, except oil-nuts .....	113,003	109,366
Animal & vegetables oils, fats, greases & waxes & their manufactures, n.e.s. .....	2,378,536	48,608	Sugar & sugar confectionery .....	17,552	1,970,842	Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. .....	328,495	332,310
Chemical elements & compounds; pharmaceutical products .....	1,791,405	8,974,691	Coffee, tea, cocoa and preparations thereof; spices .....	651,791	1,260	Coffee, tea, cocoa and preparations thereof; spices .....	12,480	10,765
Dyeing, tanning & colouring substances (not including crude materials) .....	889	4,723,032	Beverages and vinegars .....	—	2,000	Beverages and vinegars .....	—	16,718
Essential oils, perfumery, cosmetics, soaps & related products .....	624,801	13,586	Feeding stuffs for animals, n.e.s. .....	163,314	—	Tobacco .....	—	4,549
Fertilizers .....	—	25,200	Oil-seeds, nuts & kernels .....	1,587,146	—	Oil-seeds, nuts & kernels .....	224,463	—
Rubber and manufactures thereof, n.e.s. .....	—	7,795,416	Animal & vegetables oils, fats, greases & waxes & their manufactures, n.e.s. .....	23,226,552	345,616	Animal & vegetables oils, fats, greases & waxes & their manufactures, n.e.s. .....	57,090	—
Wood, cork & manufactures thereof .....	187,341	487,720	Chemical elements & compounds; pharmaceutical products .....	—	94,644 14,981,841	Chemical elements & compounds; pharmaceutical products .....	263	17,690
Pulp, paper and cardboard and manufactures thereof .....	31,584	1,979,079	Dyeing, tanning & colouring substances (not including crude materials) .....	47,040	6,872,266	Dyeing, tanning & colouring substances (not including crude materials) .....	—	3,034
Hides and skins and leather Manufactures of leather, not including articles of clothing .....	70,150	—	Essential oils, perfumery, cosmetics, soaps & related products .....	221,980	16,537	Wood, cork & manufactures thereof .....	—	79
Furs, not made up .....	4,285	—	Fertilizers .....	11,405	280,950	Pulp, paper and cardboard and manufactures thereof .....	—	67,814
Textile materials, raw or simply prepared .....	19,440	—	Rubber and manufactures thereof, n.e.s. .....	—	24,191,373	Hides and skins and leather Manufactures of leather, not including articles of clothing .....	73,989	—
Yarns and threads .....	1,292,304	22,510,777	Wood, cork & manufactures thereof .....	746,741	51,292	Textile materials, raw or simply prepared .....	—	80
Textile fabrics and small wares .....	238,400	87,048	Pulp, paper and cardboard and manufactures thereof .....	199,158	66,967	Textile fabrics and small wares .....	—	103,132
Special and technical textile articles .....	5,270,647	115,940	Hides and skins and leather Manufactures of leather, not including articles of clothing .....	460,186	19,840	Clothing and underwear of textile materials; hats of all materials .....	—	195
Clothing and underwear of textile materials; hats of all materials .....	525	470,765	Textile materials, raw or simply prepared .....	2,487,704	409,866	Products for heating, lighting & power, lubricants & related products, n.e.s. .....	41,250	—
Footwear: boots, shoes and slippers .....	157,714	—	Yarns and threads .....	1,388,756	333,979	Pottery and other clay products .....	—	48
Made-up articles of textile materials other than clothing .....	1,182	—	Textile fabrics and small wares .....	2,957,274	10,091	Manufactures of non-metallic minerals, n.e.s. .....	—	3,718
Products for heating, lighting & power, lubricants & related products, n.e.s. .....	1,021,760	1,048,086	Special and technical textile articles .....	16,070	69,248	Non-ferrous base metals .....	19,600	—
Non-metallic minerals, crude or simply prepared, n.e.s. .....	—	75,829	Clothing and underwear of textile materials; hats of all materials .....	91,827	10,272	Manufactures of base metals, n.e.s. .....	—	91,054
Pottery and / other clay products .....	17,109	46,382	Footwear: boots, shoes and slippers .....	3,769	775	Machinery, apparatus and appliances other than electrical, n.e.s. .....	—	8,599
Glass and glassware .....	9,450	—	Made-up articles of textile materials other than clothing .....	28,652	971,326	Electrical machinery, apply prepared products, n.e.s. .....	—	18,804
Manufactures of non-metallic minerals, n.e.s. .....	11,375	548,757	Products for heating, lighting & power, lubricants & related products, n.e.s. .....	—	397,615	Vehicles and transport equipment, n.e.s. .....	—	42,615
Precious metals & precious stones, pearls & articles made of these materials .....	850	—	Non-metallic minerals, crude or simply prepared, n.e.s. .....	139,101	180,290	Miscellaneous crude or simply prepared products, n.e.s. .....	485,222	206,892
Ores, slag, cinder .....	—	37,500	Pottery and other clay products .....	269,727	58,546	Manufactured articles, n.e.s. .....	—	48,409
Iron and steel .....	125,700	6,621,488	Glass and glassware .....	1,800	11,729	INDONESIA		
Non-ferrous base metals .....	280	4,486,715	Manufactures of non-metallic minerals, n.e.s. .....	—	2,840	Articles	Imports	Exports
Manufactures of base metals, n.e.s. .....	220,711	1,082,527	Precious metals & precious stones, pearls & articles made of these materials .....	—	6,619,931	Dairy products, eggs and honey .....	—	190
Machinery, apparatus and appliances other than electrical, n.e.s. .....	85	—	Machinery, apparatus and appliances other than electrical, n.e.s. .....	46,422	1,710,428	Fishery products, for food .....	10,780	7,754
Electrical machinery, apparatus and appliances .....	85	1,872,841	Vehicles and transport equipment, n.e.s. .....	8,575	857,374	Cereals .....	17,325	70
Vehicles and transport equipment, n.e.s. .....	57,386	787,474	Miscellaneous crude or simply prepared products, n.e.s. .....	—	1,136,494	Manufactured products of cereals, chiefly for human food .....	—	4,185
Miscellaneous crude or simply prepared products, n.e.s. .....	—	1,547,829	Manufactured articles, n.e.s. .....	5,298,218	451,612	Fruits and nuts, except oil-nuts .....	—	43,389
Manufactured articles, n.e.s. .....	1,961,394	883,528	Total .....	551,127	979,819	Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. .....	—	—
Total .....	210,437	1,164,314	Total .....	54,717,425	66,412,811	41,002	97,134	
CHINA, SOUTH			INDOCHINA			Sugar & sugar confectionery .....	—	875
Articles	Imports	Exports	Articles	Imports	Exports	Coffee, tea, cocoa and preparations thereof; spices .....	—	12,428
Live animals, chiefly for food .....	8,241,456	—	Meat & preparations thereof .....	8,600	—	Beverages and vinegars .....	—	10,736
Meat & preparations thereof .....	18,496	—	Fishery products, for food .....	142,595	18,922	Feeding stuffs for animals, n.e.s. .....	—	56
Dairy products, eggs and honey .....	2,115,158	3,880						
Fishery products, for food .....	9,040	21,126						
Cereals .....	3,885,088	—						
Manufactured products of cereals, chiefly for human food .....	83,445	80,791						

Articles	Imports	Exports
Live animals, chiefly for food .....	8,241,456	—
Meat & preparations thereof .....	18,496	—
Dairy products, eggs and honey .....	2,115,158	3,880
Fishery products, for food .....	9,040	21,126
Cereals .....	3,885,088	—
Manufactured products of cereals, chiefly for human food .....	83,445	80,791



PHILIPPINES		THAILAND				Miscellaneous crude or simply prepared products, n.e.s.		
Articles	Imports	Exports	Articles	Imports	Exports	n.e.s.	355,333	116,730
Live animals, chiefly for food .....	—	850	Meat & preparations thereof .....	8,000	—	Manufactured articles, n.e.s.	100	317,051
Meat & preparations thereof .....	—	130,789	Dairy products, eggs and honey .....	—	88,640	Total Merchandise	24,068,194	9,560,482
Dairy products, eggs and honey .....	—	1,081,767	Fishery products, for food .....	92,990	71,844	Gold and specie	—	259,900
Fishery products, for food .....	—	109,981	Cereals .....	18,217,569	2,125	Grand Total	24,068,194	9,820,382
Manufactured products of cereals, chiefly for human food .....	—	282,900	Manufactured products of cereals, chiefly for human food .....	82,400	83,249	U. S. A.		
Fruits and nuts, except oil-nuts .....	110,835	57,992	Fruits and nuts, except oil-nuts .....	17,540	83,537	Articles	Imports	Exports
Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. ....	—	1,126,465	Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. ....	155,060	273,399	Meat & preparations thereof .....	19,279	24,016
Sugar and sugar confectionery .....	6,000	5,918	Sugar & sugar confectionery .....	150,760	56,450	Dairy products, eggs and honey .....	239,460	113,058
Coffee, tea, cocoa and preparations thereof; spices .....	—	310,593	Coffee, tea, cocoa and preparations thereof; spices .....	12,360	126,254	Fishery products, for food .....	739,820	175,655
Beverages and vinegars .....	—	6,240	Beverages and vinegars .....	—	24,967	Cereals .....	3,811	—
Feeding stuffs for animals, n.e.s. ....	—	83,000	Feeding stuffs for animals, n.e.s. ....	—	4,000	Manufactured products of cereals, chiefly for human food .....	54,729	50,658
Tobacco .....	13,577	—	Oil-seeds, nuts & kernels .....	1,148,887	7,398	Fruits and nuts, except oil-nuts .....	2,626,206	231,309
Oil-seeds, nuts and kernels .....	—	63,960	Animal & vegetables oils, fats, greases & waxes & their manufactures, n.e.s. ....	1,149,321	4,045	Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s. ....	189,631	886,036
Animal & vegetables oils, fats, greases & waxes & their manufactures, n.e.s. ....	12,500	180	Chemical elements & compounds; pharmaceutical products .....	74,515	590,331	Sugar & sugar confectionery .....	145,339	12,797
Chemical elements & compounds; pharmaceutical products .....	—	204,237	Dyeing, tanning & colouring substances (not including crude materials) .....	7,100	360,966	Coffee, tea, cocoa and preparations thereof; spices .....	208,564	612,755
Dyeing, tanning and colouring substances (not including crude materials) .....	—	117,871	Essential oils, perfumery, cosmetics, soaps & related products .....	—	53,261	Beverages and vinegars .....	131,714	28,824
Essential oils, perfumery, cosmetics, soaps and related products .....	—	1,200	Rubber and manufactures thereof, n.e.s. ....	400	957	Feeding stuffs for animals, n.e.s. ....	—	50
Fertilizers .....	—	115	Wood, cork & manufactures thereof .....	609,191	5,362	Tobacco .....	4,491,999	1,570
Rubber and manufactures thereof, n.e.s. ....	—	1,142	Pulp, paper and cardboard and manufactures thereof .....	—	463,308	Oil-seeds, nuts & kernels .....	—	87,361
Wood, cork, and manufactures thereof .....	112,091	81,735	Hides and skins and leather .....	1,548,989	—	Animal & vegetables oils, fats, greases & waxes & their manufactures, n.e.s. ....	112,481	14,916,046
Pulp, paper & cardboard & manufactures thereof .....	—	159,875	Manufactures of leather, not including articles of clothing .....	—	8,244	Chemical elements & compounds; pharmaceutical products .....	—	14,797,664
Manufactures of leather, not including articles of clothing .....	—	—	Textile materials, raw or simply prepared .....	53,130	78,450	Dyeing, tanning & colouring substances (not including crude materials) .....	—	95,894
Textile materials, raw or simply prepared .....	—	14,471	Yarns and threads .....	—	719,060	Essential oils, perfumery, cosmetics, soaps & related products .....	1,195,440	98
Yarns and threads .....	217,587	—	Textile fabrics and small wares .....	—	3,203,346	Fertilizers .....	450,549	429,028
Textile fabrics and small wares .....	—	809,572	Special and technical textile articles .....	—	16,360	Rubber and manufactures thereof, n.e.s. ....	1,704,235	—
Special and technical textile articles .....	204,750	360	Clothing and underwear of textile materials; hats of all materials .....	—	479,306	Wood, cork & manufactures thereof .....	68,924	14,540
Clothing and underwear of textile materials; hats of all materials .....	—	510,102	Footwear: boots, shoes and slippers .....	—	3,425	Pulp, paper and cardboard and manufactures thereof .....	681,438	208,332
Footwear: boots, shoes and slippers .....	—	13,950	Made-up articles of textile materials other than clothing .....	—	—	Hides and skins and leather .....	1,076,993	19,280
Made-up articles of textile materials other than clothing .....	—	64,810	—	—	—	Manufactures of leather, not including articles of clothing .....	73,645	573,553
Products for heating, lighting & power, lubricants & related products, n.e.s. ....	70,000	—	Products for heating, lighting & power, lubricants & related products, n.e.s. ....	—	586,611	Textile materials, raw or simply prepared .....	2,693,076	818,144
Non-metallic minerals, crude or simply prepared, n.e.s. ....	—	10,394	Non-metallic minerals, crude or simply prepared, n.e.s. ....	361,849	10,911	Yarns and threads .....	18,425	5,175
Pottery and other clay products .....	—	30,856	Pottery and other clay products .....	—	159,100	Textile fabrics and small wares .....	—	1,546,246
Glass and glassware .....	—	7,872	Manufactures of non-metallic minerals, n.e.s. ....	—	147,039	Special and technical textile articles .....	67,464	1,875
Manufactures of non-metallic minerals, n.e.s. ....	—	18,500	Precious metals & precious stones, pearls & articles made of these materials .....	—	3,505	Clothing and underwear of textile materials; hats of all materials .....	695,274	82,957
Iron and steel .....	—	22,500	Iron and steel .....	41,000	—	Clothing of leather and fur .....	7,142	—
Manufactures of base metals, n.e.s. ....	—	701,149	Non-ferrous base metals .....	—	238,954	Footwear: boots, shoes and slippers .....	—	40,195
Machinery, apparatus and appliances other than electrical, n.e.s. ....	3,216	121,383	Manufactures of base metals, n.e.s. ....	—	100,732	Made-up articles of textile materials other than clothing .....	55,212	1,000
Vehicles and transport equipment, n.e.s. ....	—	18,766	Machinery, apparatus and appliances other than electrical, n.e.s. ....	—	—	Products for heating, lighting & power, lubricants & related products, n.e.s. ....	1,830,654	1,712
Miscellaneous crude or simply prepared products, n.e.s. ....	—	91,230	Electrical machinery, apparatus and appliances .....	—	79,373	Non-metallic minerals, crude or simply prepared, n.e.s. ....	69,557	120
Manufactured articles, n.e.s. ....	—	199,123	Vehicles and transport equipment, n.e.s. ....	500	88,953	Pottery and other clay products .....	11,789	185,359
Total .....	750,536	9,477,419	Total .....	500	154,873	Glass and glassware .....	366,714	714
						Manufactures of non-metallic minerals, n.e.s. ....	222,367	—
						Precious metals & precious stones, pearls & articles made of these materials .....	81,651	163,128

Ores, slag, cinder .....	—	94,920
Iron and steel .....	2,079,718	—
Non-ferrous base metals ..	149,095	449,923
Manufactures of base metals, n.e.s. ....	1,253,059	147,713
Machinery, apparatus and appliances other than electrical, n.e.s. ....	2,594,621	—
Electrical machinery, apparatus and appliances ..	1,058,853	46,654
Vehicles and transport equipment, n.e.s. ....	832,111	19,000
Miscellaneous crude or simply prepared products, n.e.s. ....	146,621	7,084,897
Manufactured articles, n.e.s. ....	5,464,527	3,528,925
 Total Merchandise .....	49,820,009	33,503,934
Gold and specie .....	6,600	1,648,503
 Grand Total .....	49,826,609	35,152,467

Company on the footing that they become entitled thereto as Capital and that such Capital sum applied on behalf of the persons who on the 7th day of May, 1951, were the holders of the 400,000 issued shares of the Company in payment in full for 100,000 unissued shares of the Company of \$25.00 each, and that such 100,000 shares credited as fully paid be accordingly allotted to such persons respectively in the proportion of one such share for every complete four of the said 400,000 shares then held by such persons respectively, and that the shares so allotted shall be treated for all purposes as an increase of the nominal amount of the Capital of the Company held by each such shareholder, and not as income and that such shares shall rank for dividend from the 1st January, 1951, and that any resulting fractions of shares be allotted en-bloc to a trustee to be nominated by the Directors upon trust for sale on such conditions as they consider expedient and the nett proceeds of sale shall be distributed proportionately amongst those members who would otherwise be entitled to such fractions and in satisfaction thereof."

The REGISTER OF MEMBERS of the COMPANY will be closed from TUESDAY the 1st day of May, 1951, both days inclusive during which period no transfer of shares can be registered.

Dated this Fourteenth day of April, 1951.

By Order of the Board  
of Directors,  
**B. C. FIELD,**  
Secretary.

## HONGKONG COMMODITY MARKETS

How closely linked commerce is to politics was shown by the repercussions caused on the Hongkong commodity market by President Truman's dismissal last week of Gen. MacArthur from all Far Eastern commands. Prices fell, particularly in pharmaceuticals, cotton yarn and paper, and would in all probability have fallen further had it not been that the difficulty of obtaining replacements and the higher rates imposed by manufacturers kept them up to a certain extent. The hope that an unnecessary prolongation of the war in Korea had possibly been avoided and that a peaceful settlement of the war might be found, brought a nearer approach to normalcy in the markets than has been the case for some time past. Speculators hesitated to plunge deeper in view of uncertainty in the future trend of events and legitimate dealers also held back for the time being.

The expected departure of a ship for South Korea, however, served to offset in a small degree the shock of the political news, as it opened up the prospect of trade with that country, and trading was brisk during the week in the few items that were required, a certain natural hesitation being shown over despatching goods to a part of Korea that might again be overrun by the tide of war.

China produce showed a decline for another reason. Increasing deliveries from the mainland of vegetable oils and other products and the lack of demand for articles in return, brought down prices and induced the anticipation that trade with China may return to its usual channel if the Korean war should draw to a close within a reasonable time.

Keen buying of Indian yarns in the earlier part of the week by both exporters and speculators caused a rise in prices, which was however, damped by the news of General MacArthur's dismissal and followed by a fall. Most of the transactions were in 26's and 32's: in 26's Loyal Textile Mills rose to \$2250 and New City of Bombay to \$2260 per bale before falling to \$2230 and \$2240 respectively; in 32's Gokak Mills sold for \$2560, Sree Meenakshi for \$2550 and New City of Bombay for \$2595 per bale, before dropping to \$2460, \$2470 and \$2555 per bale; in 40's Cockatoo brand sold for \$2960 falling at the close to \$2920, Rajalakshmi Mills fetched \$2940 and fell to \$2910, and New City of Bombay was quoted at \$3000 falling later to \$2950 per bale.

### Cotton Piece Goods

With active buying on the part of dealers from India and Pakistan, the cotton piece goods market opened brisk, only to subside towards the end of the week. Indian grey sheeting No. 2293 26" 40 yds. sold at \$65.50 per bolt and Japanese No. 2023 was quoted at \$81 per bolt, falling to \$80 at the close. White cloth, Three Peaches sold at \$89 falling to \$88 per bolt, Japanese 2003 remained steady at \$78 per bolt.

### Raw Cotton

Further falls took place in raw cotton with lower prices from Pakistan due to the new crop being placed on the market. At the close prices were: NT-roller gin and LSS-r.g. \$4.60 per lb. each, 4F-r.g. \$4.50 and 289F-r.g. \$4.70 per lb. Rangoon raw cotton fell to \$3.50, and Egyptian raw cotton remained steady at \$4.70 per lb. Cotton waste fell to \$3.90 per lb.

### Metals

Of all the markets, metals was least affected by the mid-week political sensation. A lull in transactions with China has for some time past been offset by a growing shortage in supplies of the most popular items and the problem of how to obtain replenishments has not yet been overcome. Consequently on the whole prices remained steady, and in some instances such as mild steel plates rose considerably: 4' x 8' went up 1/32" went up to \$195 per picul (183.3 lbs.) in actual sales with \$200 asked; 5/8" advanced to

\$135 per picul; 8/16" to 5/8" were quoted at \$128 per picul. Actual transactions were few on account of the high prices demanded, but holders were reluctant to part with their stocks anticipating future demands from China. Mild steel round bars held steady in view of low stocks but trading was more or less stagnant, orders from China being lacking in view of direct transactions with the makers abroad: 20' 5/8" to 1" were offered at \$76 per picul while 1 1/4" and 1 1/2" stood at \$77; 40' 4/8" and 5/16" were offered at \$88 per picul, 3/8" and 1/2" at \$84, 5/8" to 1" sold at \$81 and 1 1/8" and 1 1/4" were quoted at \$83 per picul. Galvd. iron sheets with a brisk market were almost an exception in maintaining a rise in prices: G24 was quoted at \$1.38 and G26 at \$1.50 per lb., while G28 rose to \$1.55 per lb.; sales of G31 (Japan) 3' x 7' were made at \$17.50 per sheet and G30 3' x 6' was quoted at \$15.

Increased demands from China sent up the price of British tinplate 20" x 28" in 200-lb. case from \$315 to \$330 per case, supplies being low. Short supplies also sent up the price of US misprint tinplate waste, waste, to \$171 per picul. Tinplate waste ends 8" to 10" in 200-lb. case, electrolytic, rose to \$270 per case.

### Industrial Chemicals

The activities of Cantonese traders in the industrial chemicals market caused a further climb in prices, which was sustained by short supplies: German carbon black in 145-lb. cases rose from \$1480 to \$1600 per case, Belgian zinc chloride from \$2550 to \$3021 per ton and Dutch acetic acid glacial in 20-kilo. carboy rose to \$1.76 per lb. A failure on the part of the German product to come up to standard caused an increase in the demand for Dutch lithopone 30%, which rose to \$1.58 per lb. Crown brand quebracho extract, contrary to expectations, fell to \$1.64 per lb.

### Paper

The paper market early showed activity in view of the departure of a ship for South Korea, but later turned quiet as a result of the uncertainty overhanging Far Eastern affairs. It is likely that the paper market may be badly affected in future following the resumption of production by paper mills in China, orders for wood pulp having been placed direct with the manufacturers by the Chinese authorities. Closing prices were: MG ribbed kraft 40 lbs. 35 x 47 rose to \$75 per ream and the 47 lb. quality to \$90; Swedish white MG cap, 17 1/2 lbs. 25 x 44, fell to \$20.50 per ream; MG pure sulphite 30 x 40 changed hands at \$27 per ream. Japanese cellophane 36 x 39 declined to \$158 per ream. Japanese duplex board 31 x 43 200-240 lbs. fetched 97 cents. per lb. Japanese newsprint in reams 31 x 34 fluctuated between \$44/\$45 per ream.

### China Produce

Increasing arrivals of China produce from the mainland, and low price offers from abroad, combined to keep prices down. Woodoil (tungoil) alone remained steady at the previous price of \$245 per picul for unrefined quality in bulk and \$258 per picul with drums. Tea oil was slack, with little demand, quotations being held to \$275 per picul by the Canton authorities, who refused to lower their rate. Aniseed oil, in spite of some activity, fell to \$1020 per picul. Cassia oil fell to \$2700 per picul.

Having support only from Indian dealers, cassia lignum retrograded during the week; West River 80-lb. bale fell to \$105 per picul and loose packing ranged between \$103/\$105 per picul with the new crop being offered at \$97/\$100 per picul. Batavian cassia dropped to \$74 per picul. Ramie, lacking support from Japanese traders, showed a decline: green ramie was transacted at \$264/\$270 per picul; white ramie was offered at \$273/\$290 per picul.

## FINANCIAL REPORTS

### HONGKONG FREE EXCHANGE & GOLD MARKETS

The drastic step taken by Pres. Truman in unceremoniously dismissing one of America's greatest generals, the 'reformer' of Japan and genuine friend of the Japanese people, Douglas MacArthur, has shocked Hongkong as it did the world. This is not the time to aggravate controversies both within the US and between the US and her loyal friends but it cannot be overlooked that the dismissal of the great general has given the adversaries of democracy much elation and has boosted their morale which, after the repeated military reverses in Korea, had considerably suffered. The replacement of MacArthur by a purely military man cannot inspire hopes in the further and final guidance of the Japanese on the road to democratisation and it is this task which, in the perspective of history, will prove of immeasurably greater importance than the halting and, be it hoped, repulsing of the Russian-led North Korean and Chinese communist forces in Korea. The unity among the US-led democratic nations has not been impaired though the enemy is utilising the dismissal of MacArthur for what it is worth; and unfortunately it is worth a lot, at least on the surface. We shall hear much more about it, from Washington and from Moscow.

Hongkong has been upset by the event but the financial and commercial markets reacted with caution and after the initial shock was over, calm was generally observed. Some minor fluctuations were recorded but they were not motivated by sentiments in connection with the American reshuffle but rather by technical market movements. Some speculative attempts were however made to depress the gold rate—it being assumed that the US will now embark on a policy of appeasement and that now the way to arrange a truce in Korea may be cleared. Within a day or two these views were discouraged; there is nothing to support such a sanguine interpretation of things today and to come.

The communist aggression must be met here and now, and no 'Munich' is possible. If there are weak-hearted and compromise-anxious souls they only play into the hands of the communists, and they may just as well submit today. The sudden action by Pres. Truman, who is known and not especially liked in the US for his impulsive and directness of expression, can be viewed from many angles but certainly not from the one of appeasement. There is a war on and the US knows it and has already commenced the necessary preparations; and so have the western European and other allies. Russia is not going to have it all her own way and she may even receive a few nasty surprises in her, it seems, undaunted instigation to start fires at all corners of the globe.

The securities market was, for a very short while, under the delusion of a boom. There was a lot of business put through and inquiry was quite insistent but prices did not advance or only fractionally in a few counters. The local share market has been regarded, with what merit cannot be impartially ascertained, as a barometer of political conditions in the Far East, and thus when rates improve it is surmised that 'financial circles' hold the view that a more settled period is to break upon us, and conversely when rates decline the outlook for war is becoming more acute. When MacArthur was made to leave Tokyo there were some optimists here who felt that now a compromise with the communists was possible and that therefore investment in local shares was advisable. Without implying that investment in local securities, especially at present low rates and excellent company working results, is not a financially sound proposition, the fact cannot and should not be ignored that the road to peace—not as per Moscow and its phoney peace congress resolutions—is still very far and most dangerous to thread on.

Hongkong's position cannot be regarded as secure as long as the war in Korea is on, as long as our neighbor is persisting in hostility towards the 'imperialists,' as long as the Malayan insurrection has not been subdued by the British (which insurrection is gradually being played up in Peking as a great liberation movement deserving of the fullest support of the so-called people's democracies). The investing public, well aware of the potentially dangerous situation here, has therefore not felt induced, after the MacArthur affair, to advance its price ideas and thus the market, as far as the quotations go, slipped quickly back into the old rut.

Commodity markets rolled along without any special heed paid to the 'affair' prices being, on the whole, easier as a result of lower purchases from Red China, accumulations of stocks, speculative overbuying by local dealers and hoarders, a tight money market which compelled liquidations, reaction to previous price boosting. The trend was however firm as overseas suppliers asked higher prices and local indents approached the level of wholesale quotations.

Review of the week April 9-14:

**GOLD:**—Highest & lowest rates per .945 fine tael of last week, \$325 3/4—\$306 3/4, equiv. to .99 fine tael and oz rates of \$341.26—\$320.91 and \$258.60—\$266.89 resp. Crossrates US\$46 1/2 high, 44 1/4 low, CIF Macao contracts of last week for about 10,000 ozs fine were concluded at US\$45.35.

Day-to-day highest & lowest rates for .945 fine tael were as follow: 325 3/4—319 3/4; 324 1/2—321 1/4; 325—314 1/4; 314—306 3/4; 314—310 1/4; 317 1/4—313 3/4. Week's opening 321, closing 317 1/4.

Overseas crossrates moved around 42—42 1/2; Bombay around 58 1/4—58 3/4.

Fluctuations last week amounted to almost \$20 cr over 6%. Bulls were taking advantage of the local Govt's requisition order of a Peking Govt owned tanker—a very controversial step which might result in added illfeeling in Red China and possibly some retaliatory measures; bears found consolation in MacArthur's dismissal.

Change-over interest favored sellers, amounting to 35 cts.=5 1/2% p.a. Local money market rates from 7—10% p.a. for fully secured loans (bank over-drafts at the rate of 5—6%), commercial credits from 15—22% p.a.

Forward contracts: 210,900 taels (dail average 35,150). Positions taken overnight averaged 975,000 taels. Importers and interest hedgers were usual sellers, joined by Swatow and Canton groups; Shanghai clique and local speculators, joined by outsiders, overbought. Cash bars: 57,630 taels, of which officially listed 25,630, privately arranged 32,000. Among interest hedgers 35,500 taels changed hands, 20,500 taken up by exporters, 1630 bought by the ornamental trade. Exports: to Singapore 12,000 taels, to Bangkok 8500. Exporters paid for .99 fine bars \$15.60—16.60 per tael (for .99 fine bars \$8.40—8.50). Imports: 24,500 taels, all from Macao. Arrivals in Macao 30,000 ozs, a further shipment of 70,000 ozs on its way. Importers are able to buy in an increasing number of bullion centres; there is now some Russian gold peddled around by bullion brokers, some of this gold reaching, via London and other cities, the Far East. Apart from Russian gold there is also some gold from Eastern European satellite countries offered in bullion centres.

Under present conditions local prices and crossrates may remain materially unchanged; world market prices are unsteady with a weak undertone thus encouraging exports to Far East where still higher profits can be made, subject to judiciously directed supply from Europe and America.

**SILVER:**—Prices were steady and business dull. Sales totaled 63,000 taels. Quotations per bar \$6.05—6.10, per dollar coin 3.92, per small coins (5 pcs.) 3—3.01.

**US\$:**—Highest & lowest rates per US\$100, in HK\$—notes 604 3/4—601 1/4, DD 603—606, TT 610

—605 1/2, equiv. to crossrates of US\$2.622—2.642. Day-to-day highest & lowest TT rates: 610—606 1/2; 609 1/2—607; 608—608 1/2; 608—605 1/2; 606—608—606 1/2.

Business, done: US\$810,000 in TT and US\$745,000 in DD and notes.

Gold prices made the TT New York rate. There was in addition to demand from gold importers renewed interest among importers of merchandises, influenced no doubt by more encouraging reports from Washington where partial relaxation of US commodities for import into Hongkong is being considered. More US cargo, of the luxury type, has been contracted recently and limited quantities of durable consumer goods (like refrigerators, airconditioning equipment, motor vehicles) are expected to be unloaded here shortly. Bangkok merchants were sellers (proceeds from gold sales in Siam) and some larger amounts of overseas Chinese remittances were reported. The outlook is steady with little change in the present level.

**BANKNOTES:**—Little business was put through and rates did not undergo any change. Business was done at the following rates: Pound notes \$15.46—15.68, Australia 13.40, Canada 5.65—5.68, Malaya 1.81 1/2—1.81 3/4, India 1.18—1.19 1/2, Philippines 1.57—1.59, Macao 1.07, Japanese yen 140—141 per 10,000. Indochina 13.60—13.80, Siam 22.20, Indonesia 88 (per 100).

**CHINESE EXCHANGE:**—Official rates remained unchanged. Local rates for PB8 notes \$225—228 per one million (sale PB8125 million); DD Canton 214—222 (sales 250 m.); DD Amoy 223—225 (sales approx. 10 m.). Remittances with Shanghai quoted PB4600—4700 per HK\$1, sales 600 m. Hongkong dollar remittances with Canton quoted 95—96 per 100 in Canton, sales having been HK\$43,000. Gold and US\$ exchanges with Shanghai were small and nominally quoted at par and at 90 respectively.

**Taiwan:** Gold and US\$ exchange quoted 98—100 and 96—96 1/2 resp. with small turnover. The govt there clamped down, once again, on black market dealings and there was for a short time a complete lull. With fanfare and terror the black market dealers, as far as known and not protected, were arrested and some profitable confiscations made the hunting a real pleasure. The black market will no doubt stage a comeback—it always has survived prosecutions. The govt in Taipei would be better advised to remove conditions leading to black market dealings such as stabilisation of the budget and liberalisation of trade.

Report of the week April 2—7:

**GOLD:**—Highest & lowest rates per .945 fine tael \$320 3/4—312 1/2, equiv. to .99 fine tael and oz rates of \$336.02—\$326.98 and \$279.24—\$271.73 resp. Crossrates US\$46 high, 45 low. CIF Macao contracts of last week for 66,000 ozs US\$44 3/4—44.95 per fine oz.

Day highest & lowest rates per .945 fine tael: \$316 1/4—\$312 1/2; \$189 1/2—\$151 1/4; \$203 1/4—\$153 1/2; \$219 1/2—\$181. Week's opening 313 1/2, closing 319 1/2.

Macao and Canton .99 fine tael prices \$328 1/2—312 1/4 and \$325—\$318 resp.

Gold coin rates in Hongkong, in HK\$—US coins \$20 old 450, new 284; US\$10 old 269, new 145; US\$5 old 185, new 72; US\$2 1/2 old 47, new 37; English Sovereign 85.

With all factors in favor of bulls the trend last week was steady and prices moved marginally upward. World market prices were some 5% higher and war expectation was once again rearing its head when the UN forces crossed the 38th parallel in Korea; the lower import contracts and lower change-over interest firms up rates. Profit-taking sales depressed sentiment at times while the local treasury was reported as having sold, from seized bullion, some 15,000 taels, the agent being Lui Hing Hop, a well-known native bank and bullion dealer. Business in the Shanghai-type bucket goldshops decreased and clients were getting fewer; at present only 6 dealers are in business while previously the highest number was 17.

Interest for the week in favor of sellers totalled 36 cts. per tael or about 6% p.a. Total sales amounted to 186,500 taels (average per day 27,300). Positions taken figured at 98,500 taels per average day, with the Hang Seng Bank, biggest bull, partially liquidating and importers and interest hedgers as usual selling; Canton and local groups overbought.

Cash bars: 48,900 taels of which 18,750 listed in the Exchange and 30,150 unofficially arranged. Interest hedgers took 32,500, exporters 14,000, local goldsmiths 2400 taels. Exports were consigned to Singapore 8000, Bangkok 6000 taels. Differences for .99 fine and .97 fine bars \$15.70-16.80 and \$8.50 resp. Imports: 9500 taels, mainly from Macao. Expected arrivals this week in Macao 40,000 to 50,000 oza fine.

Outlook: As it is generally anticipated that world prices will not dip below US\$40 and local imports (from Macao) and exports (to Asian ports) in approx. balanced prices here may remain around present level. Local stock is around 500,000 taels (excl. gold in form of ornaments).

SILVER:—Prices steady with little offering; buyers almost absent. Stock decreased esp. in coins. Dealings 52,000 taels (in weight). Prices per tael \$8.04-8.10, dollar coin 3.92-8.92, small coins \$3.

US\$:—Highest & lowest prices per 100 US notes \$605 1/4-601 1/2, DD 605 3/4-603, TT 602-605 1/2, equiv. to crosses of US\$2.631-2.642. Daily highest & lowest TT rates: \$608-605 1/2; 608-606 1/2; 607 1/2-605 1/2; 607 1/2-605 1/2; 606 3/4-605 1/2; 606 1/2-606. Total sales: US\$780,000 in TT, 845,000 in DD and notes.

BANK NOTES:—Per one foreign currency unit: London 15.50-15.60, Australia 13.10-13.18, Canada 5.66-5.68, Malaya 1.81-1.81 1/4, India 1.19 1/2-1.20, Burma .87, Ceylon .97, Philippines 1.58 1/2-1.63 1/2, Macao 1.07. Per 100 foreign currency units in HK\$: Indochina forward 14, spot 13.80-14.10, Siam 28-28.15, Indonesia, rupiahs 39, Nicia guilders 3.70-3.80. Per 10,000, Japanese yen \$134-136. Chinese currency \$224 1/4-227 per one million People's Bank yuan, \$ .37-.38 per one Taiwan new yuan.

CHINESE EXCHANGE:—Official rates remained unchanged in Peking but the People's Bank lowered the gold bullion buying rate per oz from PB yuan 1.15 to .95 million, which was done for adjusting gold prices with foreign crossrates, the People's Bank having in the many times lowered exchange but rarely gold rates.

PB notes sold here at \$224 1/2-227, sales 220 million; DD Canton at \$212 1/2-214 per one million, sales 350 m.; DD Amoy at \$223-232 per million, sales 270 m.; DD Shanghai PB yuan 4600-4700 per one HK\$, sales 650 m., PBY. Above rates showed about 15% depreciation compared with official rates. HK\$ remittances with Canton quoted 95-96 per 100 in Canton; sales \$85,000. Black market in Canton is small and dealers, after recent raids, have become more timid. Hoarding of HK\$ continues but very secretly and on small scale. Gold and US\$ exchanges with Shanghai quoted resp. at par and 90 per 100 in Shanghai; business small. Gold and US\$ remittances with Taiwan quoted resp. 93-98 and 96-96 1/2 per 100 in Taipei, business small. Better political outlook in Taiwan and more stability in economy of that island caused slight appreciation of rates.

## HONGKONG STOCK AND SHARE MARKET

The market was inclined to sag during the first half of last week but renewed buying interest, set in on Thursday which led to a sharp recover in Dairy Farms, Trams and Electrics. Turnover is practically up to last week's record and the undertone is firm.

Dividends announced during the week: H.K. Telephones \$1.20 (old), 30 cents (new) for 1950 both Free of Tax. China Lights, Interim 30 cents year 30.9.51, Free of Tax, proportionate for partly paid.

Business reported during the week \$2,278,646. Business reported for March, 1950, \$3,849,052. Business reported (15th week) 1950, \$849,425.

Closing quotations of last week:—

### H.K. GOVT. LOANS

4% Loan .....	98
3 1/2% " (1934 & 1940) .....	95
3 1/2% " (1948) .....	94

### BANKS

H.K. & S. Bank .....	1380
Chartered Bank .....	£81 1/2
Mercantile Bk. A. & B. .....	£10 1/8
Bank of East Asia .....	102

### INSURANCES

Canton Ins. .....	255
Union Ins. .....	725
China Underwriters .....	3 1/4
H.K. Fire Ins. .....	134

### SHIPPING

Douglases .....	150
H.K. & M. Steamboats .....	15
Indo Chinas (Pref.) .....	12
(Def.) .....	56
Shells (Bearer) .....	88/9
U. Waterboats .....	17
Asia Nav. .....	.85

### DOCKS, WHARVES, GODOWNS, Etc.

H.K. & K. Wharves .....	74
North Point Wharves .....	5.10
Sh. Hongkew Wharves .....	5 1/2
H.K. Docks .....	12 1/2
China Provident .....	10.30
Shanghai Dockyards .....	2.90
Wheelioks .....	24 1/2

### MINING

Raub Mines .....	4.70
H.K. Mines .....	.00%

### LANDS, HOTELS & BLDGS.

H. & S. Hotels .....	5 1/2
H.K. Lands .....	40
Shanghai Lands .....	1.10
Humphreys .....	7
H.K. Realties .....	1.90
Chinese Estates .....	109

### PUBLIC UTILITIES

H.K. Tramways .....	12
Peak Trams (Old) .....	23
(New) .....	11

Star Ferries .....	72
--------------------	----

China Lights (Fully Pd.) .....	6.10
(Partly Pd.) .....	3%
(Bonus Sh.) .....	5.80
H.K. Electrics .....	23%
Macao Electrics .....	9
(New) .....	8 1/2
Bonus Sh. .....	8
Sandakan Lights .....	8 1/2
Telephones (Old) .....	10 1/4
(New) .....	9 1/4
Shanghai Gas .....	1 1/2

### INDUSTRIALS

Cald. Macg. (Ord.) .....	26 1/2
Cements .....	11
H.K. Ropes .....	12 1/2

### STORES & C.

Dairy Farms .....	12.60
Watsons .....	17 1/2
L. Crawfords .....	25
Sinceres .....	3.20
China Emporium .....	9.35
Sun Co., Ltd. .....	2
Kwong Sang Hong .....	91
Wing On (H.K.) .....	52
Wm. Powell, Ltd. .....	7 1/2

### MISCELLANEOUS

China Entertainments .....	10 1/2
H.K. Constructions (O) .....	2
(N) .....	1
Vibro Piling .....	8 1/2
Marsman, Investments .....	9/
Marsman, (H.K.) .....	.75
Shanghai Loan .....	.95
Shanghai Explor .....	.15
Yangtszes .....	2.80

### COTTONS

Ewos .....	2.60
International Films .....	1

### Rubber Companies

Alma Estates .....	20
Anglo-Dutch .....	.90
Anglo-Java .....	.70
Batu Anams .....	3.30
Bute Plantations .....	.90
Chemor United .....	.70
Cheng Rubbers .....	3.85
Consolidated Rubbers .....	4 1/4
Dominion Rubbers .....	.20
Java-Consolidated .....	2 1/4
Kota Bahro .....	2 1/4
Kroewock Javas .....	.32 1/2
Langkats .....	.80
Padang Rubbers .....	1 1/2
Rephab Rubbers .....	.32 1/2
Rubber Trusts .....	3.30
Samagaga Rubbers .....	.80
Sembunu Rubbers .....	.80
Shanghai Kedahs .....	8
Shanghai Kelantans .....	1
Shanghai-Malaya .....	14
Shanghai Pahang .....	1.90
Shanghai Sumatras .....	7
Sua Mangis .....	.10
Sungala .....	1 1/4
Sungei Duris .....	3 1/2
Tanah Merahs .....	1 1/4
Tebong Rubbers .....	.29
Ziangebe Rubbers .....	1.80